

Management RECORD

November, 1961 • Vol. XXIII • No. 11

- Spotlight on the Medicare Program
- Administering the Merit Increase
- Why Companies Develop Managers
- Company Plans in Case of Disaster



NATIONAL INDUSTRIAL CONFERENCE BOARD, INC.

CONTENTS

SPECIAL ARTICLES

Medicare—What Is It?.....	2
Why Companies Develop Their Managers.....	6
Administering Merit Increases for Salaried Personnel.....	9
The AFL-CIO and Organizing.....	13
Hidden Pay Check Contest.....	14
Expanding Quarter-century Clubs Pose Space Problem: Three Solutions.....	16
Company Continuity in Case of Disaster.....	18

REGULAR FEATURES

Briefs on Personnel Practices.....	28
Labor Press Highlights.....	30
Significant Labor Statistics.....	32
Wage and Fringe Developments in Bargaining.....	33
Significant Pay Settlements.....	34
Management Bookshelf.....	5, 12, 15, 27, 31

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Management Record

November, 1961

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Vol. XXIII, No. 11

• In the Record •

Administering Merit Increases for Salaried Personnel

When is a merit increase not a merit increase? All too often, say some firms. These companies question the practice of lumping economic increases, long-service raises, or mere incentive boosts under the category of merit. They argue that the requirements of salary administration are best served when the term merit increase is defined, and the definition adhered to whenever possible.

A recent Conference Board survey of seventy-five firms indicates that, despite certain disagreements, a merit raise is generally defined as an in-grade increase granted to an individual because his performance entitles him to a higher position in his rate range. The Board then asked the companies, all pace-setters in salary administration, how they administered their merit increase programs—whether they imposed minimums and maximums; how the amount of the increase was determined; and what they felt was the value of the merit increase as a motivator. The companies' answers are analyzed in the article beginning on page 9.

Medicare—What Is It?

Probably the most popular fringe benefit in business today is in the field of group health insurance coverage. The armed forces have emulated industry in this respect by providing the protection and inducements of health insurance for the dependents of servicemen.

Under the unique program called "Medicare," dependents of military personnel frequently have freedom of choice between the use of civilian or military medical facilities at little or no expense to themselves.

The program was initiated in 1956 but there remains a remarkably widespread unawareness of its application, both to individuals and to the business community.

Because of the accelerated draft calls and the sudden activation of reservists many companies are reexamining their military leave practices. To provide industry as well as individuals with a working knowledge of the Medicare system and its possible significance to health insurance

practices, an analysis of the program is presented in the article appearing on the next page.

Why Companies Develop Their Managers

"Chiefs are important, but the Indians are our prime concern." This is the view of most firms asked by the Board to describe their management development goals.

An overwhelming majority of the 206 United States and Canadian companies rank "To improve the performance of *all* managers on their present jobs" as the most important objective of their programs. Helping *selected* men prepare for promotion is in second place.

Four other objectives were included in the Board's questionnaire. These are: preparing all managers to cope with changes in business or the general economy; preparing selected managers to cope with these changes; preparing all managers for promotion; and improving the performance of selected managers.

How the companies rank all six objectives and the amount of success they have had with each is revealed in "Why Companies Develop Their Managers," which starts on page 6.

Company Continuity in Case of Disaster

As one company puts it: "... within our generation we have witnessed the emergence of the production line as the real battle line. This realization has put a new edge on management's responsibility and has multiplied manifold the importance of safeguarding personnel and facilities." The steps taken by manufacturing companies to protect facilities and to ensure continuity of operations are the subject of the current installment of the Board's "Survey of Business Opinion and Experience," a monthly feature appearing in *The Conference Board Business Record*.

Because of the timely nature of the material, this review of the plans of 205 firms is reprinted in the *Management Record* in its entirety. "Company Continuity in Case of Disaster" starts on page 18.

Firms that carry medical insurance for draftees' dependents may be duplicating protection available under an armed forces' plan

Medicare—What Is It?

THE RECENT activation of reservists and the accelerated draft calls have prompted many companies to reevaluate their military leave practices. In a recent issue of the *Management Record*,¹ THE CONFERENCE BOARD reviewed company practices in prior "crisis" periods. It was found that in the past many firms had continued group medical benefits in one form or other for dependents of departing employees.

Since 1956, however, a new government program that provides medical care for the dependents of armed service personnel has been in existence. This program, called Medicare, utilizes both civilian and military medical facilities and is quite extensive in its scope.

The latest available figures show that as of September, 1960, some 3,604,000 dependents were eligible for care under the plan. Furthermore, the percentage of married men in the services has risen steadily from 42% in 1956 to 52% in September, 1960, and the current rate at which armed service personnel are being married appears to be increasing. Average family size has also grown—from 1.27 children per family in 1956 to 1.78 children per family in 1960.² Finally, the recent influx of activated reservists is certain to substantially swell the number of eligible dependents.

When the Medicare program was initiated, it was recognized that so extensive an undertaking required considerable public education. Yet, to this day, there appears to be widespread lack of understanding of the plan's application, both to the individual family and to industry and commerce. Few articles have been published or widely circulated concerning it,³ and available information exists chiefly in the form of pamphlets and "fact sheets" issued by the services themselves.

This article attempts to equip companies with:

- A brief history of Medicare
- A description of its basic provisions and administrative operations

¹ See "Company Military Leave Practices: A Review," *Management Record*, Sept. 1961, p. 2.

² Source: Office for Dependents' Medical Care, Statistical Division.

³ A description of the plan as it existed at its inception is contained in "Medicare: Uniformed Services Program for Dependents," Social Security Bulletin, July 1957, p. 9.

- An outline of its possible impact on industry and upon individuals called into service
- A detailed description of the plan's coverage and exclusions.

HISTORICAL BACKGROUND

On December 7, 1956, the Dependents' Medical Care Act¹—popularly known as Medicare—went into effect. The passage of this act codified for the first time in seventy-two years a basic program for the medical and hospital care of the dependents of active members of the armed services.

Prior to its enactment, regulations affecting medical care for dependents were issued by the services as the need dictated, and broad discretionary powers were utilized. Except in minor respects, the new law left essentially unchanged the medical care for dependents provided through service facilities, merely assuring uniform benefits among the different services. What was new, however, was the provision for use of civilian facilities.

The impetus for a program that would offer medical care away from a military installation stemmed from the fact that in 1956 over 40% of the slightly more than two million service dependents were unable, for a variety of reasons, to use government medical facilities. In addition, it was felt that the dramatic growth of private business-sponsored health insurance, where many companies even assumed the entire cost, operated as an adverse morale factor for servicemen and their families.

BASIC PROVISIONS AND ADMINISTRATION

After a legislative history somewhat marked by delay and controversy, the bill, as passed, provided that the dependent care program should utilize civilian hospitals and physicians in certain circumstances. This provision was endorsed by the American Medical Association. Since its enactment the program has been amended on occasion but now approximates in scope the basic coverage of the usual Blue Cross-Blue Shield plan.

¹ Public Law No. 569, Eighty-fourth Congress, Second Session.

The Medicare plan does not require the payment of premiums as such. When the plan is actually used, there are certain base, but minimal charges, which will be detailed later. To be eligible, the "sponsor," or person in military service, must be on active duty, or on active duty for training pursuant to orders, for an indefinite period or for more than thirty days. This includes members of the uniformed service of the Army, the Navy, the Air Force, the Marine Corps, the Coast Guard, the Commissioned Corps of the Coast and Geodetic Survey, and the Commissioned Corps of the Public Health Service. A member of the activated ROTC, Reserve or National Guard also qualifies, but the coverage does not apply to weekly drills, summer maneuvers, or to those placed on a "ready alert" basis. The program applies to all ranks of the services.

Once the "sponsor" becomes eligible, his dependents in the United States, including Alaska, Hawaii and Puerto Rico, are divided into two classes: dependents residing *with* their sponsors and those residing *apart* from their sponsors. How does the revised Medicare program affect each of these classes?

Those dependents residing with their sponsors *must* first contact a service medical facility. If, for any number of reasons, the care required cannot be furnished, then a "nonavailability statement" is issued and the dependent is free to seek authorized care from civilian sources.

Where the dependents reside apart from their sponsors they have an initial freedom of choice. They may use a service facility or they may go directly to a participating civilian hospital or physician. In the latter event, the dependent is not expected to pay the physician, nurse, or hospital for care covered under the program, except for certain charges discussed later.

The coverage, as has been indicated, is basically the same as a standard Blue Cross-Blue Shield policy. But the hospitalization benefits are perhaps more extensive (e.g. semiprivate accommodations normally not exceeding 365 days for each admission, free blood, complete maternity care, etc.), and the out-patient and surgical coverage is slightly broader. While there are some additional charges, the basic charge for an eligible dependent admitted to a civilian hospital for authorized in-patient care is the first \$25 of the hospital charges or \$1.75 per day, whichever is *greater*.

The Medicare program is administered through the Blue Cross Association by Blue Cross plans, with the sponsorship of the American Hospital Association and state and local hospital associations and councils, under contract with the United States Government. In some seventeen states, principally Midwestern, the plan is administered by Mutual of Omaha. The entire program is

on a nonprofit (cost-plus) basis. Physicians' fees are scheduled, and are determined by negotiation with the individual state medical societies. Modal allowances are periodically set in accordance with the medical procedure involved and a so-called "relative value schedule," which varies by location, is established. Occasional differences of opinion as to the value of a service are resolved by arbitration.

While the plan requires that civilian medical care must be obtained through "cooperating" hospitals and physicians, widespread acceptance and cooperation has been the rule, even though the "full payment" principle is rigidly enforced.

IMPACT ON INDIVIDUALS

If the individual called into service has personal health insurance he, or his carrier, probably would cancel it immediately, since Uncle Sam is the universal doctor for all in his employ. If the individual has dependents, however, and maintains his insurance coverage on an independent basis, he may wish to estimate the relative value of continuing his coverage. The answer would depend directly upon the type of civilian health insurance plan he maintains and the contract provisions of such a plan.

Where the head of the family maintains health insurance in other than a group plan and his policy provides that there would be an initial waiting period before the plan became effective or that there would be, after the effective date, additional waiting periods for items such as pregnancy or tonsillectomies, he might wish to continue his private insurance. This would be because his Medicare protection would cease upon the midnight of his discharge and he would then have to reinstate his policy and bear the risk of the waiting periods.

On the other hand, if he did not cancel his privately maintained policy in a plan other than group, it may well be because his particular contract provided improved benefits for his dependents. While it is generally accepted that insurance provides indemnity for loss, instances could arise where substantial cash payments could be recovered by the individual despite the government assumption of the cost.

Where group plans are involved, the individual would again have to consider the contract provisions before determining his course of action. Some group plans state that employees who temporarily discontinue their health-plan coverage at the time of mobilization are eligible for reinstatement without prejudice upon termination of their military service. Where this is so, it is apparent that the individual and his dependents would suffer no hardship because of any waiting periods when reinstating a policy. Under these circumstances, the in-

dividual may consider discontinuing insurance that he pays for in whole or in part. Obviously, if the company pays the full cost of the insurance, the employee has nothing to lose and sometimes may gain if the insurance is maintained while he is in service.

Where Blue Cross and Blue Shield group plans are involved, arrangements can often be made whereby the serviceman can continue his family coverage at a reduced rate while he is in service, if he so desires. The above considerations would also apply to such programs.

IMPACT ON COMPANIES

When companies originally considered the advisability of formulating specific military leave programs that encompassed more than what was required by law, they did so for many reasons. Among these, the desire to assist the employee in the difficult transition from civilian to military life was paramount. It was also felt that a benefit program was helpful in retaining the loyalty of employees in the service. Today, many key employees are being activated for indefinite terms and their problems are compounded by this uncertainty. Sound health insurance protection has become a definite fixture in the area of family security and this fact has been recognized by the government as well as by business.

According to the head of the Medicare program in New York State,¹ there is frequently little or no reason for an individual or for a company to continue private insurance coverage for dependents when the head of the family is in active military service. This is particularly true, he observes, when the group policy contains a military rider that provides for the immediate resumption of civilian coverage once the serviceman is discharged or reemployed.

Blue Cross and Blue Shield in New York City advise, when inquiry is made, that a subscriber should suspend his coverage when he enters the service and that a policy may be reinstated within 90 days of discharge without loss of continuity of coverage. Blue Cross, however, is operated throughout the country by a number of autonomous groups. These are directed in each area by a volunteer board selected much as is the Selective Service board. Therefore policy may differ according to location.

Individual Reviews Necessary

It would appear, then, that a company may desire to review its practice regarding health insurance for dependents of employees on active duty with the serv-

ice. If the company assumes the full cost of an insurance plan, it is quite possible that the protection offered exceeds the Medicare allowances or the available coverage and is considered worthwhile to maintain. This would be true even where the employee contributes to the premiums. However, there may be instances where the coverage is merely duplicated and is maintained at unnecessary cost to the company, the individual or both. Some companies offer the employee the option of continuing civilian coverage at his own expense. In any case, it seems apparent that the advisability of any course can only be determined after a thorough examination of the cost and the coverage of the particular policy.

COVERAGE AND EXCLUSIONS

In civilian hospitals, dependents include only lawful wives and dependent children of uniformed servicemen on active duty (or the lawful husband of a servicewoman if dependent on her for over one-half of his support). Dependent children are defined as unmarried legitimate children (including a legally adopted child or stepchild) who have not passed their twenty-first birthday. Dependent children over twenty-one are eligible for benefits if incapable of self-support because of a mental or physical incapacity which existed before they reached twenty-one years of age, or if they are enrolled in an approved institution of higher learning and have not yet passed their twenty-third birthday.

Identification cards are issued to dependents and are to be used upon admittance to a civilian medical facility or when care is required from a civilian physician.

For those dependents residing with their sponsor, the dependents must first contact a Uniformed Services Authority to determine whether the care needed can be provided in a nearby service facility. When such care is not available in a service facility, a form DD 1251 is issued which grants permission for the dependent to seek authorized care. Authorized care may be provided without such a form (a) in acute emergencies requiring immediate hospitalization; (b) when the dependent is on a trip; or (c) when a letter of authorization is presented by a widow eligible for maternity benefits.

A parent or parent-in-law of an active-duty service member is also qualified for care only at uniformed service facilities if he is dependent and resides with the sponsor.

Medicare coverage is extended to the following conditions:

1. Treatment of acute medical conditions
2. Treatment of contagious diseases
3. Treatment of surgical conditions requiring hospitalization and deemed "medically indicated"

¹ Mr. George P. Farrell, administrative officer, Medicare, New York State Division, 750 3rd Ave., New York 17, N. Y.

4. Treatment of bodily injuries requiring in-patient hospitalization
5. Treatment of the acute phase of emotional disorders, constituting an emergency not to exceed twenty-one days
6. Complete maternity and obstetrical care
7. Out-patient services in connection with:
 - (a) Pre-and-post natal care
 - (b) Services required by an infant born outside the hospital, for a period of ten days following birth
 - (c) X-ray therapy following hospitalization for a malignancy started or prescribed during hospitalization
 - (d) Pre-and-post hospitalization tests and procedures, within certain monetary limits
 - (e) Treatment of bodily injuries: fractures, dislocations, lacerations, etc.

In the treatment of these conditions, the following benefits are granted:

1. 365 days hospitalization, or more, in semiprivate accommodations, including board and room and all necessary services and supplies ordered by the attending physician and which are provided by the hospital
2. Diagnostic tests and other ancillary services rendered by the physician
3. Private room ordered by the attending physician
4. Private duty nursing ordered by the attending physician
5. The cost of blood

Care Excluded—Certain medical problems are excluded from coverage under the Medicare program. They would involve the treatment of chronic conditions, nonemergency treatment of mental and nervous disorders, surgical treatments specifically excluded, admission solely for diagnostic studies, general dental care and domiciliary care.

Services Excluded—Such things as ambulance service, hearing aids, spectacles, radio, telephone, and drugs dispensed for home use are not included.

PATIENTS' PAYMENTS

In civilian hospitals, an eligible dependent is required to pay the first \$25 of hospital charges or \$1.75 a day, whichever is greater. There are certain additional charges among which are the following:

1. For a private hospital room, the above charge plus
 - (a) 25% of the difference between the charge for the private room and a weighted average semiprivate room rate, provided the attending physician certifies that a private room is needed for medical reasons
 - (b) If the private room is merely for the patient's convenience, then the entire difference between that room rate and the weighted average rate must be paid
2. Private duty nursing care—the first \$100 of the

charges must be paid plus 25% of the remaining charge over \$100

3. Maternity care—first \$15 of physician's charge for delivery performed in a home or office, if the dependent is not hospitalized later as a result of the same delivery

4. Injuries on an out-patient basis—the first \$15 of physician's charges for each cause or accident cared for

For more detailed information, servicemen or company representatives should contact their insurance carrier, or their nearest Uniformed Service installation, or the Office for Dependents' Medical Care, Office of the Surgeon General, U. S. Army, Washington 25, D. C.

MICHAEL E. EDMONDS

Division of Personnel Administration

Management Bookshelf

The Art of Decision-Making—This book is aimed at those who "wish to improve their own abilities to find facts and solve problems, to predict behavior, to plan and to conduct themselves well in decision-making conferences." It also contains information designed for use in improving the "decision-making environment" of organizations. By Joseph D. Cooper, Doubleday & Company, Incorporated, Garden City, New York, 1961, 394 pp., \$4.95.

Labor Management Contracts at Work—An analysis of recent rulings by 150 arbitrators dealing with ten vital areas of labor-management relations. The areas covered are work force reduction; seniority and ability; stewards and union officers; foremen and supervisors; call-in pay; paid holidays; vacations and vacation pay; overtime; discharge and other forms of discipline; and nondisciplinary terminations. By Morris Stone, Harper Brothers, New York, New York, 1961, 307 pp., \$5.50.

The Managers: A New Examination of the English, German, and American Executive—Though modern business ideas may have been born in the United States, they are now international, say the authors. Executives all over the world now face similar problems, which they meet in similar ways. They are in many ways similar types of men. Under fire from inside as well as from outside the "free world," businessmen and managers have good reason for learning what their counterparts in other countries are like. With this in mind the authors—the director of Britain's Acton Society and the Washington correspondent of *The Economist* of London—compare and contrast the "man at the top" in English, German and American firms: who he is, what he does, and how he got to his present position. By Roy Lewis and Rosemary Stewart, A Mentor Book published by the New American Library, 501 Madison Avenue, New York 22, New York, 1961, 256 pp., \$7.50.

This article examines six goals of manager development and the success companies have had in attaining them. More than 200 firms report

Why Companies Develop Their Managers

IT IS no secret that the training and development of managers is an important concern of almost all but the smallest companies in the United States and Canada. Most companies seem to agree that their futures depend upon a sufficient supply of managerial talent. But what, specifically, are companies trying to accomplish with their programs of management development?

Is the usual goal a smoothly functioning team of experts? Do companies concentrate on building chiefs and ignore the Indians? Is adaptability an important objective?

As part of a broad study of management development practices, THE CONFERENCE BOARD asked companies of all sizes and in all major business categories about the objectives of their development programs. Thirty-nine Canadian and 167 United States firms returned completed inquiry forms.¹

From a list of six possible objectives the companies were asked to select those that most closely approximate their own goals, and to rank them in order of their importance. Three pairs of statements are used, one statement in each pair relating to all the firm's managers and the other to only selected men. The objectives concern improving the performance of managers on their present jobs, preparing managers to cope with possible changes in the business or in the national economy, and preparing managers for promotions.

"To improve the performance of *all* managers on their present jobs" is ranked as the most important objective in more than three-quarters of the replies from the United States and almost two-thirds of those from Canada. No other objective received nearly as many first choices, although almost one in five Canadian firms rated "To prepare *selected* managers for possible promotions" as most important.

The two nations differ on their choices for second place. Among the Canadian firms "To prepare *all* managers to cope with possible changes in the business or in the general economy" was chosen by 37% as the second

most important objective of their development efforts. In the United States the second objective of 34% of the firms is the preparation of *selected* men for promotion. But these two objectives are high on the list for second rank in both countries.

During the analysis the choices for both first and second rank were totaled and the results examined. Obtaining better results from *all* managers on their present jobs, helping *selected* men prepare for advancement and preparing *all* managers to adapt to changing conditions, in that order, are the leading objectives reported by firms in both countries. A somewhat greater consensus of views is apparent in the replies from the United States.

The Board's questionnaire also asked if companies have prepared statements either about their overall development programs or about their promotion practices. Thirty per cent of the United States firms report that they have prepared statements of policy or objectives on improving the performance of their managers and promoting men in the organization. (For some examples, see the box on page 7.) In Canada only 10% of the firms report having statements about their programs, while a quarter of the firms have put their promotion policies into writing.¹

Thus only a minority of the responding companies prepare statements to guide their development activities. But since the firms were able to rank the suggested objectives in order of importance they apparently know what they are trying to accomplish, whether or not they have decided to write out their objectives.

How successful have they been? They were asked "Which of the above objectives would you say your company has so far most successfully met?" and "Which . . . least successfully?" Surprising uniformity is found in the replies to the first question. In each country 41% of the firms report most success in improving the performance of *all* managers on their present jobs and 27% report greatest success in preparing *selected* man-

¹ A preliminary analysis of the first 124 United States returns was the basis for the chapter on the United States in "Developing Better Managers," a *Special Study in Personnel Policy*, available to Associates upon request.

¹ In the United States sample, but not in the Canadian, there is a relationship between company size and the incidence of statements. The larger the firm, the more likely it is to have a formal statement of objectives or policy.

agers for possible future promotions. While such agreement between the two countries may be unexpected, the general result is not, since these two goals are the ones the companies consider most important.

No very clear pattern emerges from the analysis of replies to the question about the less successful efforts. It does seem, however, that many companies have had least success in attaining the goals that involve *all* of

Policy Statements of Some Participating Firms

Kimberly-Clark Corporation

"The job of *managing* in Kimberly-Clark is becoming an increasingly complex and taxing assignment. The growth and geographic spread of corporate facilities, the diversification into additional product lines, the high degree of functional specialization have all contributed to placing new challenges upon and increasing the need for capable business executives.

"These changes are occurring so rapidly that 'the corporation can no longer afford to *wait* for managers to just happen.' This implies that the corporation can afford to operate a formal program designed to *accelerate* the development of managers.

"This brings us to the two-fold objective of the management development effort, i.e.:

"1. To encourage and promote the self-development of Kimberly-Clark employees.

"2. To utilize Kimberly-Clark's human resources to the maximum extent.

"Management development is vital to the corporation's continued growth and prosperity because it deals with people—the people who are, or ultimately will be, responsible for the direction of its success—or failure."

* * *

General Mills, Incorporated

"Whereas this Board is vitally interested in all ways and means to further the effectiveness and expand the profit potential of General Mills, Inc., and

"Whereas it is the considered opinion of the Board that one of the most productive areas for increased profits lies in improved utilization of the people of the company, improved training and developing of them, and opportunity for them to broaden into their fullest effectiveness, it being recognized that the future success of General Mills lies in its ability to develop the very best management talent,

"Now, therefore be it resolved:

"(1) That the policy of this company be officially stated as emphasizing the necessity for providing a continuity of efficient management for General Mills by systematic and concerted effort to select, develop,

and advance the most capable men that can be found using the same resourcefulness and effort with which we plan for new products, better facilities and improved production and merchandising methods. . . .

"(4) That each member of management consider it to be a vital part of his responsibility to use good judgment in the selection of employees, giving consideration to their future value to the company. He must recognize that his responsibility is not discharged unless he is developing subordinates capable of succeeding him or accepting other positions of increased responsibility in the company. Each member of management must also realize that no other duty is sufficiently important to prevent the foregoing from being done, and that his own effectiveness is to be judged on his success in this effort as well as on the balance of his record."

* * *

Ford Motor Company

"Because the future success of the company will depend largely upon the availability of highly qualified personnel, the manner in which these personnel are developed or secured is of utmost importance. It is the policy of this company to develop highly qualified management, technical and professional personnel from within the ranks of the company.

"All levels of management are responsible for carrying out this policy. In order that this responsibility may be effectively discharged, an orderly plan for personnel development must be established in each management area. . . ."

* * *

Armco Steel Corporation

"Opportunity: To provide every possible opportunity for advancement, as it is the ladder on which the individual hopes to reach his ultimate goal—his heart's ambition. Without such a ladder, there can be no hope, and without hope, life may be a failure. It is a fixed Armco policy to provide such training opportunities as will give the individual substantial aid to his advancement."

Table 1: Objectives Ranked in Importance by Companies

Question: "Which of the following statements most closely approximates your company's over-all objectives in improving the performance of management? Please rank the statements in the order of importance."

Statement of Objective	Ranked First		Ranked Second		Ranked 1st or 2nd	
	Canada	US	Canada	US	Canada	US
Based on the following number of returns:	36	151	35	149	71	300
a. "To improve the performance of all managers on present jobs."	64%*	78%	9%	9%	37%	44%
b. "To improve the performance of selected managers on present jobs."	6	9	11	13	9	11
c. "To prepare all managers to cope with possible changes in the business or in the general economy."	6	2	37	23	21	12
d. "To prepare selected managers to cope with possible changes in the business or in the general economy."	3	1	3	5	3	3
e. "To prepare all managers for possible future promotions."	6	4	9	16	7	10
f. "To prepare selected managers for possible future promotions."	17	7	31	34	24	20

* Percentages will not add to 100% because of rounding of figures.

Table 2: Objectives Successfully Met

Question: "Which of the above objectives would you say your company has so far most successfully met?"

Statement of Objective	Canada	US
Based on the following number of returns:	34	165
a. "To improve the performance of all managers on their present jobs."	41%	41%
b. "To improve the performance of selected managers on their present jobs."	12	17
c. "To prepare all managers to cope with possible changes in the business or in the general economy."	9	5
d. "To prepare selected managers to cope with possible changes in the business or in the general economy."	6	6
e. "To prepare all managers for possible future promotions."	6	5
f. "To prepare selected managers for possible future promotions."	27	27

their managers. Again, this might be expected. It is much more difficult to bring about improved performance from everyone in an organization than from a carefully selected group.

Does this mean that these companies are satisfied with their programs of management development? The only conclusion that the survey justifies is a guarded: "perhaps reasonably satisfied." If the companies had been asked which of the goals had been definitely attained, rather than "so far most successfully met," their answers might have been different.

Some light is shed on this by another section of the survey, for which all the returns have not yet been analyzed. Only two of the first 124 replies from the United States report that their companies are dubious about the value of their programs. Seventy-seven per

cent report that they believe that their programs are valuable or have proof of it. But a sizable group still plans to make major changes in the future, i.e., changes of emphasis, methods, or both. Evidently, approaching their goals has not led to complacency.

"Chiefs" are important. The companies represented in this survey recognize the value of concerted effort to develop the talents of especially talented men. But even more important are the "Indians," and the management development activities of firms in Canada and the United States are aimed at developing the talents of all their managers, with perhaps special emphasis upon increasing their adaptability to changing business and economic conditions.

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Administering Merit Increases For Salaried Personnel

RECENTLY, THE CONFERENCE BOARD surveyed a group of companies with established programs of salary administration. It found that 95% of these firms explained their programs to the covered employees, while 71% also told employees the maximum salary paid for their position.¹ In this study, "salaried employees" were defined as managerial, administrative and professional employees who were exempt from the provisions of the Federal Wage Hour Law: for example, supervisors, engineers and accountants. Salary practices relating to top executives were specifically excluded.

In practically all their explanations, the companies emphasized that increases were based on merit. In essence, employees were told that the firm intended to pay salaries consistent with position requirements, that the progress of employees would be reviewed periodically, and that they could "earn" a salary increase—a merit increase—by applying themselves to their work.

LIMITATIONS ON INCREASES

But how do companies actually administer merit increases? To find answers to this question, THE CONFERENCE BOARD made a second survey of seventy-five companies. As in the earlier study, no attempt was made to single out typical or representative firms. Instead, the companies were chosen because they had been active in the field of salary administration over a period of years. For this reason the sample may be more representative of the pace setters than of the average.

As part of their salary administration program, most of the seventy-five companies place limitations on both the minimum and the maximum amount of a merit increase. Many of these companies note, however, that these limitations are not necessarily inviolable, and that procedures are available for approval of merit increases which transcend fixed boundaries. Apparently, however, this seldom happens in actual practice. Several companies comment that going below the minimum or exceeding the maximum is "rare" or done "only under most unusual circumstances."

Of the seventy-five companies, forty-five, or 60%,

place a definite minimum on a merit increase, ranging from 2% to a high of 7½%. (The latter is actually both the minimum and maximum of two companies with fixed salary increments.) The average minimum is 4½%, while the most common is 5%.

Why do these companies impose a minimum? For at least three reasons:

► They say that a merit increase which is too small is more likely to produce bad results than good. While it is possible to avoid this without the imposition of a fixed minimum, many believe it is better to decide on the lowest increase which would be acceptable, and then stick to it.

► Some companies point out that, at best, the measurement of an individual's performance is not precise. Therefore, if it appears that an individual's performance warrants an increase of only 1% or 2%, then it is most likely that the employee hasn't really earned a merit increase at all.

► Other companies impose minimums to help avoid what one company describes as "spreading the green." This is the tendency on the part of some managers to give small increases to practically everyone, rather than larger increases to a more select group. As one company points out, when marginal employees are granted even small increases they eventually get such high salaries that they are reluctant to leave, even though the company would welcome their departure.

Of the seventy-five companies, fifty-two, or 69%, place definite maximums on a merit increase. These range from 5% to 15%. The average is 10.1% and the most common maximum is 10%. Many of the companies specify that the maximum can be exceeded in exceptional circumstances, provided special approval is obtained.

Most firms impose a maximum that in their judgment is sufficiently high to reward properly even those employees whose performance is most meritorious. In fact, a majority of the companies reserve merit increases at or near the maximum for those employees whose performance has been "outstanding."

¹ See "Explaining Salary Programs to Salaried Employees," *Management Record*, July-August, 1961, p. 15.

The following are some of the reasons given for having a maximum:

► If merit increases are unduly generous employees get to the top of their salary range too quickly and then may become discouraged waiting for a promotion. Some companies believe that more moderate increases at shorter intervals can help avoid this "trap."

► Others emphasize that an established maximum gives management a good guide in the granting of merit increases. If the maximum is 10%, for example, that is for the top performer; for others, then, the merit increase should be somewhat less, ranging down to the minimum increase, which is intended for the employees whose performance is commendable but by no means outstanding.

► Another factor mentioned by a few, but perhaps in the minds of many, is that of cost. These people believe that with a fixed maximum they can do a better job of forecasting and controlling costs. This would not seem to apply, however, to those who budget their merit increases.

Twenty-three of the companies (31%) have no fixed maximum. They rely on other means to administer their merit increases, and indicate no dissatisfaction with the results. In fact, several of the companies take a firm position against the imposition of a fixed maximum. One says that there should not be a "maximum on excellence." Another says that its objective is "to get an understanding between the man and his boss as to why his salary is what it is." The company doesn't believe this can be done effectively if there are restrictions. It wants the manager to make his own decisions on salaries rather than have them determined by rules laid down by others.

AMOUNT OF THE MERIT INCREASE

The seventy-five companies also describe how the amount of the merit increase is determined. If the firm sets minimums and maximums, this automatically conditions the size of the increase. It is also recognized that the amount of increase cannot take the employee outside his salary range.

Within these limitations, fifty-seven firms, or 76% of the sample, leave the size of the increase to the judgment of those who recommend it and those who approve it. Twelve companies (16%) have developed guides which suggest varying amounts depending upon the performance of the individual. For example, for the outstanding employee it might be 10%, for the above average 7½%, and for the average 5%.

Of the remaining six companies, five have fixed salary increments, ranging from 5% to 7½%. One

company uses a formula based on the monthly salary of the individual: if the salary is below \$500, an increase of 5% is suggested; if \$500 but less than \$750, 6%; if \$750 but less than \$1,000, 7%; if over \$1,000, 8%.

The companies were also asked to describe what limitations or guides they normally use in determining the frequency of merit increases. Here again, it is recognized that most companies make provision for exceptions, and that some flexibility is expected.

Of the seventy-five companies, fifty-two, or 69%, have some form of limitation on the frequency of merit increase. Of these, twenty-five companies, prescribe a year as the normal minimum interval between merit increases.

Eleven companies will permit increases within six months of each other, but several indicate that, in this event, the increases would be smaller.

In eight companies the normal minimum length of time between increases is based on the individual's salary. For example, the minimum interval of time for an employee earning less than \$10,000 may be six months, for over \$10,000, one year.

In five companies, the time between increases is related to the position of the individual in the rate range; that is, how his salary relates to the mid-point of his range. For example, in one company, the minimum interval is six months if the employee is below the mid-point, but one year if he is at or above the mid-point.

In the remaining three companies, the suggested time interval between merit increases is geared to an evaluation of the individual's performance, with a shorter interval for those with the highest performance.

In this study of merit increase practices, a question frequently arises as to what constitutes a merit increase. As one salary administrator says, "We can't even agree among ourselves." He and others expressed the hope that THE CONFERENCE BOARD'S survey would help to resolve the question.

While no attempt will be made to support any one definition, it is evident that for all practical purposes the companies are in general agreement as to the meaning and intent of a merit increase. It is looked upon as an in-grade increase (as distinct from a promotion increase) which is granted to an individual because his performance entitles him to a higher position in his rate range.

A merit increase is not necessarily granted to an individual because of an improvement in his performance. For example, an employee may be assigned to a new job with which he is unfamiliar and for a number of months he may, in fact, be overpaid. During these months, his performance may have improved tremendously, but does this entitle him to a merit increase?

Perhaps not. It may very well be that despite his improvement, his performance is still below that of others performing similar work, and below that considered standard for the job.

The test is how the individual's performance measures up to the performance that is expected on his job.¹ One company defined merit increases, in effect, when it explained to employees in its employee publication that employees could not expect to be raised to the mid-point of their classification until they were doing a thoroughly satisfactory job, as compared with the performance of others. Also, they couldn't expect to go beyond the mid-point unless their work was superior to normal expectations, and superior to that of most others doing the same or similar work. To those above the mid-point and who were approaching the maximum, the company said that they were already being recognized for that and had a right to be proud of their achievement. However, they could expect little in the way of further increases, except through the avenue of promotion. They were urged to continue their high performance in the knowledge that they were being well paid.

The problem in defining a merit increase does not seem to arise because of disagreement as to intent. The confusion arises because increases that are given for reasons other than merit are at times lumped together under the category of merit.

Some of the examples given of salary increases which would not seem to qualify as true merit increases are the following:

- An employee's salary is raised to a higher level in the rate range because of general increases granted elsewhere in the company, the community or the industry. Such an increase might be given to a foreman when the wage earners under his supervision have been granted a general wage increase. The increase in this case is not for merit but for the purpose of retaining a desired relationship between the foreman's earnings and the earnings of those who report to him.
- An individual's salary may be raised because of his long, faithful service with the company and the length of time since his last increase. Here again, the increase would not measure up to what is generally considered a merit increase. Furthermore, there is considerable disagreement on whether it is justified.
- An employee may be given a boost in salary for the purpose of motivation—to bolster up his morale, or spur him toward greater action. This type of increase

is sometimes based on the theory that a "taste" of more money will provide an incentive and will pay dividends in the end. Here again there are many opposing viewpoints, but such a salary increase is hardly for true merit.

One of the most troublesome problems, from the standpoint of defining a merit increase, arises when an employee is given an increase, part of which is intended to reflect economic considerations and the other part merit. This can happen, for example, when the company raises its entire salary structure and then, perhaps over a period of time, raises salaries on an individual basis. If the individual's salary is adjusted precisely in the same amount as the structure change, and he retains the same position in his salary range, then the increase could not qualify as a merit increase under the commonly accepted definition. On the other hand, if the employee's salary is moved to a higher position in the range because of his performance, then the definition is met. Trying to divide this type of increase into part "economic" and part "merit" would seem to serve no practical purpose.

THE INCREASE AS A MOTIVATOR

To what degree does a merit increase, or the anticipation of one, motivate the employee to achieve higher performance?

Unquestionably, a carefully administered program of salary administration, including the administration of merit increases, provides some degree of motivation. How much is a moot question, because there is no ready means to measure motivation and what will motivate one individual will have no impact whatsoever on another. Some students of human behavior are of the opinion that the merit increase, in itself, has little motivational force unless the amount is considerably larger than is normal. At the other extreme, there are those who believe the merit increase, as now given, is a great stimulus, and that, with imaginative administration, it can be an even more effective tool.

It would appear that many companies are convinced that while the merit increase is only one motivating force, when it is combined with others, such as the desire for promotion and recognition, the total over-all impact is great. To these concerns, the merit increase is only a part of the whole scheme of things, a necessary part, to be sure.

Some companies believe that it may be possible to make the merit increase a more potent motivating factor through greater variation in both timing and amount.

Their reasoning, in part, is this: When an employee receives a merit increase about the same time each year, this becomes merely "Christmas time" in the

¹ For a discussion of the evaluation of performance against job objectives see "Rating Managers in Terms of Job Duties," *Management Record*, October, 1961, p. 23.

employee's thinking. If he thereafter continues to receive his annual raise, he may be content but not particularly stimulated. The only reaction of any magnitude may come when he *doesn't* get it. Then he is disgruntled because he didn't get what he expected and, to him, what he deserved.

The same line of reasoning applies to the amount of increase. If the employee gets about the same raise year after year, and about the same as others are getting, then he again may look at the merit increase more as a handout. The relationship between his own performance and the amount of increase, some executives say, is thereby obscured or vanishes altogether.

To remedy this situation, some firms have turned to budgeting merit increases.¹ For example, if the merit

¹See "The Budgeting of Salary Increases," *Management Record*, March, 1961, p. 2.

increase budget is 3% and the minimum increase is 5%, then obviously not everyone can be given a raise. Furthermore, the budgeting procedure lends itself readily to a wide range in the size of the increase, as well as flexibility in the timing.

Several companies concentrate almost exclusively on varying the timing—a short period of perhaps nine months for outstanding performers and a longer period for average performers. Others have clung to standard timing, but have accented the variation in amounts. A few vary both the time and amount. One such company uses a merit increase guide. For the outstanding employee, it suggests a substantial raise about once a year. As performance drops, the recommended lapse of time lengthens, and the amount of the increase declines.

GEORGE W. TORRENCE
Division of Personnel Administration

Management Bookshelf

National Policy for Economic Welfare at Home and Abroad
—Edited by Robert Lekachman. Russell & Russell Inc., 80 East 11th Street, New York 3, New York, 1961, 366 pp., \$7.50.

National Policies for Education, Health and Social Services
—Edited by James E. Russell. Russell & Russell Inc., 80 East 11th Street, New York 3, New York, 1961, 551 pp., \$10.

In celebration of the 200th anniversary of its founding, Columbia University devoted the entire year 1954 to a series of events surrounding the central theme, "Man's Right to Knowledge and the Free Use Thereof." An important part of this series consisted of six major conferences, which appeared as separate books the following year. Several of these have been out of print for some time, but the demand has been great enough to warrant reissuing the two volumes mentioned above.

The Conference on a National Policy for Economic Welfare at Home and Abroad is best summarized by listing the seven authors and the topics with which their papers dealt. These were: Arthur F. Burns, "The Challenge of Economic Fluctuations"; John Maurice Clark, "Economic Welfare in A Free Society"; Joseph S. Davis, "Economic Potentials of the United States"; Simon Kuznets, "Toward a Theory of Economic Growth"; Gunnar Myrdal, "Toward a More Closely Integrated Free-World Economy"; Sir Dennis Robertson, "What Does the Economist Economize?"; and Jacob Viner, "The Role of the United States in the World Economy." The sixteen discussants were of equally high caliber.

At the Conference on National Policies for Education, Health and Social Services more than thirty papers were

presented so it is not possible here to list each of the authors and the title of his paper. Suffice it to say that the conference was divided into seven section meetings which devoted their discussions to the following topics: policies for universal public education; policies for higher education; meeting the health needs of the nation; social services and the free economy; income security for a free people; religion in education; and academic freedom. Included as participants were academicians (William Haber, Barbara Wootton, Robert MacIver, and Arthur E. Sutherland to name a few); University Presidents A. Whitney Griswold and Henry M. Wriston; government officials from the United States and other countries (e.g. Marion B. Folsom, George F. Davidson, and Pierre Laroque); and other distinguished persons such as Mrs. Franklin D. Roosevelt, Beardsley Ruml, Adlai Stevenson, and Barbara Ward Jackson.

Small Business and Pattern Bargaining—This study examines the effect on small companies of pattern bargaining between large companies and national unions in the rubber-tire and meat-packing industries. By Walter H. Carpenter, Jr., Edward Handler and the Board of Research, Babson Institute of Business Administration, Babson Institute Press, Babson Park 57, Massachusetts, 1961, 243 pp., \$3.

Cases in Industrial Management—Each case in this textbook presents the record of an actual business situation, new information of a technical or nontechnical nature, and an action to be decided upon. Also, each problem is designed so that the student must balance various conflicting interests. By Stanley J. Seimer, Richard D. Irwin, Homewood, Illinois, 1961, 224 pp., \$6.60.

The AFL-CIO and Organizing

AT 1:20 P.M., on Monday, October 9, George Meany, president of the AFL-CIO, entered a spacious meeting room off the lobby of New York's Hotel Commodore to take care of a familiar chore, meeting the press. He had just come across the hall from a closed meeting of the AFL-CIO's general board, on which each of the federation's 133 national union affiliates has a seat. They had discussed organizing problems.

A newsman asked him what was the consensus of the delegates on organization. The federation leader replied: "The consensus, I would say, is that we're not organizing enough and that we ought to do something about it."

Before the press conference was over Mr. Meany had made clear that he planned to do something about it and that he plans to act when the biennial AFL-CIO convention meets in Miami Beach in December. Mr. Meany made no promise of an ambitious, all-embracing organizing campaign—he does not have authority over the general organizing operations of affiliated unions. But, even if it is only one small step, there is little doubt that he aims to master the problem which has hamstrung his own not inconsiderable staff of 140 organizers, and that he hopes such an accomplishment might ultimately have some effect on stimulating organizing generally.

The AFL-CIO headquarters organizing problem, stated broadly, is this. Because of the jurisdictional rivalry between many AFL-CIO affiliates, the federation's own organizers have been blocked from seeking new members in important fields—those in which the rival AFL-CIO unions have competing claims. The exception is when agreement on jurisdiction over prospective new members can be gained beforehand from disputing unions. There haven't been many of these agreements. The federation's organizing staff, led by Jack Livingston, director of organization, has been restricted to relatively minor organizing areas and to servicing the 361 AFL-CIO "federal" local unions—locals, most of them small, which are affiliated directly with the AFL-CIO without being part of a national union.

Mr. Meany stopped short of publicly specifying what corrective measures he has in mind. But it is understood that he hopes to get the convention to revise

Mr. Meany on His Future

At his press conference Mr. Meany invited newsmen to examine his new cane which he likened to a putter. The sixty-seven-year-old federation leader, who at five-feet-ten weighs 240 pounds, has needed the assistance of crutches and then a cane since arthritis lodged in his right hip almost a year ago. But this setback to his mobility has not stopped him from playing his favorite game, golf, which he now pursues with the help of a relatively recent product of technology, the electric-powered cart. Nor has the affliction, bothersome as it is to a man of his age and girth, made him think of stepping down as head of the national labor organization. At one point during the four days the AFL-CIO leadership met in the Commodore, a reporter asked him if he would be a candidate for reelection at the federation's biennial convention in Miami Beach in December. Mr. Meany looked at his interrogator as if to say: How can you be so dense? His answer—a vigorous "I sure will!"—dispelled any doubts.

the agreement rule so that Mr. Livingston's organizers will have greater opportunity to get out and do some organizing. It is predicted by AFL-CIO insiders that, barring unforeseen developments, the convention will grant the necessary authority.

The agreement rule was designed to insure that the federation would not be in a position to side with one affiliate against another in the organizing field. The reasoning underlying the move for revision is that no threat to the basic jurisdictional rights of affiliates need be involved—that it is far more realistic to make an effort to organize new members, deciding later what affiliate should have jurisdiction over them, than it is to avoid the jurisdictional problem by not making the organizing effort.

On organizing generally, Mr. Meany indicated that he thinks some improvement can be made but that he anticipates no development that will bring immediate and overwhelming successes. "I wouldn't say that it's a tragic or a bad situation," he noted, adding: "I don't think that it is too encouraging, but I think we can reverse the situation somewhat. I'm not pessimistic about it."—R.A.B.

'Hidden Pay Check' Contest Entry Blank

Hidden Pay Check Contest

4 2 1 7 4 2 1	2 1 7 4 2 1	4 2 1 7 4 2 1	4 2 1 7 4 2 1
TAPE NUMBER	PAY PERIOD	JOURNAL PAGE NO.	

Royal McBee Corporation

PAY TO THE ORDER OF

MR. AVERAGE PRODUCTION EMPLOYEE
(ATHENS, OGDEN, ST. LOUIS)

?

DATE THE YEAR 1960

Royal McBee Corporation
FACTORY PAYROLL ACCOUNT

FRINGE EARNINGS FOR ONE YEAR

FRINGE EARNINGS					
VACATION	SOCIAL SECURITY	REST PERIODS	HOLIDAYS	SHIFT DIFFERENTIAL	PENSION PLAN
\$230.21	?				

FRINGE EARNINGS				
WORKMEN'S COMPENSATION	OVERTIME PREMIUM	UNEMPLOYMENT INSURANCE	GROUP INSURANCE	TOTAL

Royal McBee Corporation PRINTED

NAME _____
(PLEASE PRINT)

DEPT. _____

LOCATION _____
(ATHENS, OGDEN, ST. LOUIS)

EMPLOYEES invariably earn more than they receive in their regular pay checks. But they tend to forget the extra earnings—the payments being made on their behalf for Social Security, vacations, pensions and other long-range benefits. When they do forget, their employer is the loser, because he hopes that these extra earnings will improve employee productivity.

In order to protect their investments, therefore, some company managements have developed communication techniques¹ designed to keep the employees aware of the value of their long-range benefits. An example is the "hidden pay check" contest that Royal McBee Corporation is now conducting for the production workers at its plants in Athens (Ohio), Ogden (Utah) and St.

¹ Several of these techniques are reported in: "The Neglected Side of Fringes," *Management Record*, April 1959, page 120; "Getting Across the Value of Employee Benefits," *Management Record*, October 1959, page 332; "Making the Most of Employee Benefit Improvements," *Management Record*, May 1960, page 12; "Putting a Price Tag on Fringes," *Management Record*, May 1961, page 24.

Louis (Missouri). The contest rules define the term "hidden pay check" as the benefits that the average production worker at these plants received during the year 1960, in addition to his straight-time hourly wage rate. Such benefits, referred to as "fringe earnings," include:

- | | |
|-----------------------|---------------------------|
| 1. Vacation pay | 6. Pensions |
| 2. Social Security | 7. Workmen's Compensation |
| 3. Rest periods | 8. Overtime premiums |
| 4. Holiday pay | 9. Unemployment insurance |
| 5. Shift differential | 10. Group insurance |

The contest is open to Royal McBee hourly paid production employees only. Exempt and nonexempt salary employees are not eligible because the fringe earning averages are based on statistics that cover just hourly employees. The eligible employees were told at the start:

"No employee has any prior knowledge of the answers. It's bound to take some guessing, since the answers are

based on an average of all hourly employees. One hint can be offered—the size of the ‘hidden pay check’ is somewhat staggering.”

Started in September of this year, the “hidden pay check” contest is divided into two parts. During the first part, which will last ten months, contestants are asked to fill in and submit each month on a separate entry blank their estimate of the dollars-and-cents value of one of the ten fringe earnings that make up the hidden pay check package.

A \$25 United States Savings Bond will be awarded each month to the contestant whose estimate comes closest to the actual figure for each of these ten fringe earnings.

Entry blanks are printed in *Progress*, the monthly publication for plant employees. The top portion of every blank is an exact engraving of a company factory payroll check. It stays as reproduced on page 14 until the contest ends; then the actual amount of Mr. Average Production Employee’s total fringe earnings will replace the question mark.

The lower portion of the entry blank is set in type to facilitate revision. It is the portion on which contestants submit their monthly estimates. The one reproduced on page 14 is for use in the second month; and because the vacation part of the contest is over, the correct figure is shown in that box. Contestants are being asked to write their estimates into the Social Security box. During the remaining months of the first part of the contest, this step-up procedure will be followed for each of the fringe earnings in turn.

After that, the second part of the “hidden pay check” contest will be held. It will consist of a drawing for the grand prize—a \$100 United States Savings Bond. The only employees eligible for this grand prize will be those who have entered one or more of the monthly contests. Every entry gives them one chance. Thus, the employee who has submitted the single entry that he is allowed each month for all ten months of the first part of the contest will have ten chances to win the \$100 bond.

Royal McBee management is pleased with the way the contest is going to date. More than 40% of the eligible employees submitted vacation-pay estimates the first month. And this percentage is expected to keep rising as the announcement of a winner in every issue of *Progress* helps to build up suspense and inspire more and more employees to try their luck.

Other steps are also being taken to promote wider employee participation. Constant use is being made of posters, bulletin boards and public address systems. Production supervisors, too, are encouraging participation within their immediate work areas.

When an employee goes to the trouble of entering an estimate of how much a fringe earning is worth, he naturally becomes interested in how close his estimate comes to the actual figure. Management, in giving him the answer in the monthly issues of *Progress*, gets an opportunity to explain in some detail why it has taken on the expense of the particular fringe earning. Its announcement of the average vacation pay figure, for example, included this additional information:

“Vacations—they’re wonderful and they benefit both the employee and the company.

“That’s the basis of a Royal McBee vacation policy which recognizes that vacations are not only vital to the health, well-being and morale of employees, but also contribute to the success of the company by providing a more effective and efficient work force.

“Spotlighted in the first month of the ‘hidden pay check’ contest, the vacation fringe earning is an important part of the earnings of each Royal McBee employee. As revealed in the first monthly contest, one year’s vacation fringe earning totaled \$230.21 for Mr. Average Production Employee. This amounted to an average of 12 cents an hour for each production employee at Athens, Ogden and St. Louis during the past year.”

A similar explanation will accompany the announcement of the winning amount of each successive monthly fringe earning contest.

Thus, in checking the pages of *Progress* to find out whether their estimates won a prize, the participants in this “hidden pay check” contest are likely to acquire a better understanding of their extra earnings and of the long-range benefits they provide. Royal McBee management hopes that this understanding will continue to stimulate the employees to more productive efforts even after the contest has run its course.

J. ROGER O’MEARA

Division of Personnel Administration

Management Bookshelf

Aging and Leisure—A Research Perspective into the Meaningful Use of Time—This volume presents the thinking of nineteen qualified individuals, comprising a variety of viewpoints and social science disciplines, on the problem of purposeful activity for older people. The meaning and use of leisure is discussed in terms of the individual viewed alone and in various social settings. This book is the outcome of a project of the Section on Psychology and the Social Sciences of the Gerontological Society, supported by the Ford Foundation. *Edited by Robert W. Kleemeier, Oxford University Press, 417 Fifth Ave., New York 16. New York, 1961, 447 pp., \$5.75.*

Expanding Quarter-century Clubs Pose Space

IN A RECENT issue of the *Management Record* an author commented on the large number of companies that have been in business for at least half a century. The varied ways in which these companies are recognizing the service of employees who have been with them for more than twenty-five years were described in the article.¹

One of the more usual privileges awarded an employee who has been with a company for twenty-five years is admission to membership in a quarter-century club. Such clubs are usually honorary in character, with the big event of the year an annual dinner meeting at which new members are introduced and given special recognition.

But there comes a time when dining rooms in local hotels and private clubs are inadequate to handle an annual dinner for all those eligible to attend. Those who have responsibility for planning annual club meetings then have to consider possible alternatives.

Caterpillar Tractor Co. in Peoria, Illinois, is one of a number of companies which has recently encountered this problem. Last year, more than 3,300 attended the annual dinner of Caterpillar's Twenty-five Year Club. Invitations were extended to wives or husbands of members and to lady or gentleman friends of single members. The group was divided into four sections. Over a thousand were accommodated in the dining room of the Shrine mosque at one o'clock on an October

Sunday, and about 640 in the dining room of a large hotel. Equal numbers were served in these places at five o'clock. After both the mid-day and evening dinners, the groups in the two dining rooms were combined in the Shrine auditorium, to see several vaudeville acts.

CATERPILLAR ICE SHOW

With 650 new members scheduled to join the club during the next year, it was realized that this was the last time the party could be held in one day. So an entirely new plan was devised for this year's meeting—one that met with the wholehearted approval of club members, as indicated by their attendance and comments. When "Holiday on Ice" was playing in Peoria a special performance was put on for club members and their guests, Monday night, September 4 in the Bradley fieldhouse. The club membership now stands at 2,978, active and retired. A total of 4,150 members and guests saw the show.

A spectacular twenty-foot wide reproduction of the Caterpillar twenty-five-year service pin was painted on the ice in gold and black and was covered with a film of ice. The work was done by one of Caterpillar's own sign painters who had retired within the year.

At intermission, snacks were served—soft drinks, coffee, and chocolate and strawberry sundaes.

The honorary club was established eighteen years ago. An attractive booklet containing the names of all club members, and addresses of retired club members

¹"After Twenty-five Years—What?" *Management Record*, September, 1961, p. 23.



Problem: Three Solutions

grouped into 25, 30, 35, 40, 45 and 50 year categories, was distributed at the ice show, and was mailed to those members who were unable to attend. The regular "Holiday on Ice" programs were also given to members who attended the show. Orchids were pinned on all the ladies by members of the Caterpillar Girls' Club.

COLISEUM IS ANSWER FOR GE

The General Electric Company has no single Quarter-century Club for the whole of its vast organization; where the membership is sufficient, each GE plant location may have its own club. But even this division into smaller groups does not preclude space problems. Some of the individual clubs at the older locations have grown so huge that they, too, have difficulty finding adequate facilities for their annual meetings.

General Electric's Quarter-century Club at Fort Wayne, Indiana, for example, now has a membership of 2,886. Only club members, active and retired, are asked to the annual dinners (no wives, husbands or other guests); nevertheless, the total of those who accepted invitations to attend the most recent dinner, held early in September of this year, was nearly 1,300.

Fortunately, there is an Allen County War Memorial Coliseum in Fort Wayne, with very large seating capacity. Long tables were set up in the sports arena, which was spacious enough to accommodate all of the GE veterans at a single sitting. Dinner, provided by the company, was served by a commercial caterer from

11:30 to 1 P.M. After dining, all adjourned to another section of the coliseum, to hear the introduction of the club's new officers and to enjoy a show of music and other professional entertainment.

Retired club members came from as far as Florida and California to spend the day in Fort Wayne with former associates. Soft drinks, beer and coffee were available throughout the day from concessions in the coliseum.

NCR DINNER UNDER THE TREES

The Twenty-five Year Club of the National Cash Register Company is made up of active and retired employees who work or who have worked for that company in locations all around the world. The current worldwide membership of the club is 3,796, which possibly makes it the largest Quarter-century Club in the country. (If any Quarter-century Club has a larger membership, the Division of Personnel Administration of THE CONFERENCE BOARD would like to hear of it.) Approximately 3,200 persons, including wives and husbands of members, attended the most recent annual meeting of the club in July.

Dinner was served to this great number at tables set on the lawn at Old River, the company's famed recreational park which is adjacent to the NCR factory in Dayton, Ohio. In the accompanying photograph, the factory can be seen in the distance, through the break in the trees at the far right. The photograph was taken from the platform used by the speakers. Amplifiers attached to the trees carried the program—installation of club officers and directors and talks by company and club officers—to the farthest reaches of the outdoor dining room.

The course dinner was prepared and served by the company's regular commissary staff. In case of rain, the dinner would have been rescheduled for a week later.

GENEVA SEYBOLD

Division of Personnel Administration



Because of its timeliness, the Board's Survey of Business Opinion and Experience is reprinted here from the November Business Record

COMPANY CONTINUITY IN CASE OF DISASTER

PLANs for ensuring continuity of company operations in the event of war or other major disaster range from virtually none at all to elaborate, well-organized programs of preparedness among the 205 manufacturing firms cooperating in this month's survey of business opinion and experience. While most of the cooperating companies have provided for the protection of their vital records, a lesser number report having made specific arrangements to assure the continuity of management, and only a small minority of firms have any formal plans or facilities at present for protecting personnel in case of disaster.

Among the companies that have undertaken measures to prepare for war or other catastrophe is one steel company whose defense manual explains why it has done so:

"War and threats of war have always been with us, but within our generation we have witnessed the emergence of the production line as the real battle front. This realization has put a new edge on management's responsibility and has multiplied manifold the importance of safeguarding personnel and facilities. These problems of attack may be met by the expanded use of the same tools we have used before. The task differs in degree and may be solved by analysis and planning, providing safeguards and stand-by equipment, calculating the risks involved, and making decisions based upon the best evidence we can muster.

"Consider the possible effects of an atomic explosion or a natural disaster upon a particular plant. The production facilities would be damaged and might even be destroyed. Many of the employees might be killed or incapacitated. The records might be destroyed and the assets lost, and the interests of our stockholders might be impaired or even destroyed. These consequences are indeed fearful to contemplate. Their very immensity imposes the urgent responsibility for taking the fullest measures to minimize them."

SAFEGUARDING VITAL RECORDS

Most cooperating firms have a routine plan for keeping vital records in a safe place, often a storage vault on their own premises or at some nearby location. However, a number of executives acknowledge that such facilities would not afford their companies real protection in case of a major catastrophe. One, the vice-president of a paper company, goes as far as to suggest

that more elaborate arrangements might be useless: "Our only program at the present time for the protection of vital records is aimed at protection against fire, flood, weather, and theft. Generally speaking, most of the people in our company feel that in the event of a catastrophe, we will not be in business anyhow whether we have our records or not."

Other executives say that they have made no special attempt to protect their records against possible war-time damage because the location of their company's offices appears to be remote from possible target areas.

In contrast, it is the practice of about two out of five companies surveyed to store their vital records in

Bylaws Provision of a Machinery Company for Continuity of Its Board in an Emergency

IN case of any vacancies among the directors through death, resignation, disqualification, or other cause, the remaining directors, although less than a quorum, by an affirmative vote of the majority thereof, at a meeting duly called for the purpose, or if only one director remains, by the act of that director, may elect a successor or successors to hold office until the next annual meeting of stockholders and until his or their successor or successors shall be duly elected and shall qualify.

In case there are no remaining directors because of death, resignation, disability, or common disaster, the elected officer or officers (other than assistant officers) of the company, not exceeding fourteen individuals in order of their seniority as officers, who are then living and qualify, shall automatically become directors, and shall hold office until the next annual meeting of stockholders and until his or their successor or successors shall be duly elected and shall qualify.

The officer or officers who so become directors, although less than a quorum, by an affirmative vote of a majority thereof, at a meeting duly called for the purpose, or if there is only one such director, by the act of that director, may elect a successor or successors to any and all vacancies still remaining, to hold office until the next annual meeting of stockholders and until his or their successor or successors shall be duly elected and qualify.

EXHIBIT A

specially designated locations away from corporate headquarters where they would be safely preserved in time of war or catastrophe. Many companies whose operations are widely dispersed report that, as part of a planned program, they send copies of important records to outlying company locations. The records of a number of other firms are given for safekeeping to commercial storage companies having special underground vaults or mines at remote sites.

As an example, the storage of records by one chemicals firm is described by the company treasurer as follows: "We are maintaining duplicate corporate records with a commercial storage company in a remote area. The facilities at such location are both air conditioned and under constant armed guard. In the event of a disaster, a number of our key personnel located in various areas throughout the United States would be able to have access to such records. Each is currently supplied with a list of the records available and this list is at all times kept current."

Still other companies maintain similar protective facilities of their own. Such storage sites in some cases are also intended to serve as emergency headquarters or remote-control centers should a catastrophe befall the home office, so that surviving personnel arriving there could have at hand the tools necessary to begin reconstitution of the company.

The vaults of small-town or rural banks are also reportedly used for storing records by a number of companies whose headquarters are in large cities. A machinery company executive discloses, for example, that the firm's "records are stored in an underground vault and lock box in a bank located eighty miles away in a city that is not a prime target. The bank building has eight stories and the vault construction is such that we feel it gives us a fair degree of protection."

Kinds of Records Stored

Records placed in storage are most frequently said to be in microfilm form, but originals, carbon copies, and blueprints are also preserved in some instances. While microfilm is often favored as a valuable space saver, at least one executive states that although his company stores records in all forms "emphasis is placed on paper copies to avoid the problem of reproduction of the information in usable form from the microfilm."

The records-retention program of most companies requires that copies for storage be made as soon as possible after origination. Depending on the nature of the records involved, preparation of copies may be a one-time occurrence, or it may be undertaken on a periodic basis, even daily.

Records most often stored by survey participants are

those that are considered essential for reconstruction of the company. An oil company controller defines three basic kinds of data that his firm earmarks for safe storage: "Our formal program for the protection of records includes (a) records covering evidence of ownership and approximate value of the company assets; (b) records of stockholders' ownership; and (c) records of employee membership and financial participation in plans for which the company has the records maintenance responsibility."

The material stored by a rubber company is described by a vice-president as follows:

"We maintain a vault in a location a considerable number of miles from our home office. Certain records such as the general ledger, canceled checks, and insurance register are kept on microfilm, and these records are permanent. In addition, other records such as compounds and recipes, official operating standards, published statements, directors' meeting data, employee life insurance coverage, and other records are kept on a permanent basis in that location. Such other information as sales invoices, inventory summaries, manufacturing cost statements, sales and income statements are kept for the current year and usually one or two years prior."

A machinery manufacturing company puts the following duplicate records in storage:

- All property deeds: *certified photostatic copies*
- Stock certificate book: *actual size copies*
- Board of directors' minutes: *microfilm (though latest copies are signed carbons)*
- Current fixed assets ledger: *carbon copy*
- Current insurance register: *carbon copy*
- Current summary of contracts book: *carbon copy*
- Engineering drawings: *microfilm*
- List of patents and pertinent information thereto: *type-written copy*

Use of Stored Data

Procedures for the use of stored records following a disaster have been established by some companies. Often, certain personnel have been designated to go to the storage area in an emergency to begin assembling whatever records are required to restore company operations. Such personnel are usually members of top management, although some firms have arranged for a team of personnel drawn from all parts of the company to begin the task of reconstruction. "In the event of catastrophe resulting in the destruction of original vital records," states the president of an oil company, "our western division chief accountant has been charged with the responsibility of organizing a rally crew to recon-

struct records from microfilm copies stored in the repository. According to plan, an emergency task force of experienced personnel from company offices outside the disaster area would be recruited to handle the required reassemblage of destroyed records."

One company actually tests the effectiveness of its "records storage program annually by means of 'dry runs' held at the alternate headquarters, at which time the business of the company is conducted with the use of only such records as are available there."

Responsibility for Records Retention

The records retention program of many firms is administered by the company secretary or the controller. In a few cases, a "records review committee" or a "records management department" is charged with this responsibility. Still other companies let the various operating units make their own determination of records to be preserved. "The recommendation of the security committee established by the company," reports one such firm, "is that such vital and essential records as are necessary for the reconstitution or continuation of operations and business should be stored at our alternate headquarters, but the matter of the type, amount, or frequency of transmission of such records is

left to the determination of those departments or affiliated companies that will be expected to utilize such records in the event of an emergency."

CONTINUITY OF MANAGEMENT

Many companies report that they have taken specific action to provide for the continuity of management in case of war or disaster. Since the board of directors is commonly regarded as the key group that would begin restoration of the company in an emergency, primary attention is most frequently given to making sure that the board would be able to function in the absence of a quorum.

The bylaws of many companies thus provide a means for returning the board of directors to full strength. A typical bylaw provision for filling vacancies on the board reads as follows:

"Vacancies occurring in the board of directors may be filled by a majority of the remaining members of the board of directors, although by less than a quorum or by a sole remaining director, at any meeting without necessary delay, and the person or persons so chosen shall hold office until the next annual meeting or special meeting of stockholders, except as otherwise provided."

Bylaws Provision of a Construction Materials Company for Continuity of Its Management in an Emergency

IF as a result of catastrophe or other emergency conditions, it is impossible to convene readily a quorum of either the executive committee or the board of directors, then all of the powers and duties of the board of directors shall vest, automatically, in the Emergency Management Committee which shall consist of all readily available members of the board of directors. Two members of the Emergency Management Committee shall constitute a quorum.

If there is only one readily available director, he and the first one of the following (even though not a director) who is readily available shall serve as the Emergency Management Committee:

1. *The executive vice-president who has served as such for the longest period*
2. *The vice-president who has served as such for the longest period*

If there is no readily available director, the first two of the following who are readily available shall serve as the Emergency Management Committee:

1. *The executive vice-presidents in order of seniority based upon their period of service in such office*

2. *The vice-presidents in order of seniority based upon their period of service in such office*

provided, however, that an Emergency Management Committee composed solely of officers who are not directors shall not have power to fill vacancies in the board of directors, but shall, as soon as circumstances permit, call a meeting of the shareholders to be held at the earliest practicable date for the election of directors. Such meeting shall be called and held in accordance with these bylaws.

If the Emergency Management Committee takes an action in good faith, such action shall be valid and binding as if taken by the board of directors although it may subsequently develop that at the time of such action conditions requisite for action by the Emergency Management Committee did not in fact exist.

If the Emergency Management Committee in good faith elects an officer to an office which it believes to be vacant, the acts of such newly elected officer shall be valid and binding although it may subsequently develop that such office was not in fact vacant.

EXHIBIT B

To guard against the difficulties that might be encountered under the most dire circumstances, the bylaws of a few companies spell out a procedure for restoration of the board should there be no surviving members. A machinery company's bylaws, for example, state that if there are no surviving members of the board, the elected officers in order of seniority shall become directors and hold office until new elections are held at the next stockholders' meeting.¹

At least one firm, a manufacturer of machinery, has decided that no additional action need be taken to cover the possibility that following a disaster some or all of its directors might be unavailable. The company president explains:

"We have investigated the legal problems which would be presented if some or all of the board of directors became unavailable. We have discussed the various problems of such a situation with general counsel and have attended meetings of the National Institute for Disaster Mobilization on the subject. As a result we feel that no amendment of the company's certificate of incorporation or bylaws is necessary and that corporate action taken by the survivors of a disaster can be readily ratified by the board of directors and stockholders at a subsequent date. It is generally felt that the courts and various regulatory boards would be most lenient in permitting the cure of technical defects at a later date."

Emergency Management Committees

Should the need arise, in a few companies management authority following a catastrophe would be vested in an emergency management committee. In the case of one construction materials company, this committee would consist of all available members of the board or, if no directors were on hand, available executive vice-presidents and vice-presidents in order of seniority in their positions.²

The provision made in the bylaws of a chemical company for setting up an emergency management committee is as follows:

"Emergency Management Committee. If, as a result of catastrophe or other emergency conditions, a quorum of the executive committee, the finance committee, the bonus and salary committee, or the committee on audit cannot readily be convened for action within their respective jurisdictions and a quorum of the board of directors cannot readily be convened to act, then all the powers and duties vested in the committee or committees or the board of directors, so lacking a quorum, shall vest automatically in the Emergency Management Committee, which shall con-

sist of all readily available members of the board of directors. Two members shall constitute a quorum.

"Other provisions of these bylaws notwithstanding, the Emergency Management Committee (1) shall call a meeting of the board of directors as soon as circumstances permit for the purpose of filling vacancies on the board and its committees and to take such other action as may be appropriate; and (2) if the Emergency Management Committee determines that less than a majority of the members of the board are available for service, the committee shall issue a call for a special meeting of stockholders to be held at the earliest date practicable for the election of directors."

Plans of a petroleum company call for an emergency management committee to be drawn from key personnel in various geographic areas. According to a director of the company:

"In 1958, the board amended the bylaws of the company to make provision for an emergency management committee with authority to exercise all the powers of the board of directors in the management of the business and affairs of the company during such period when no directors remained and until a board of directors was duly constituted. This committee has authority to call special meetings of stockholders, to elect or appoint officers to fill vacancies as circumstances may require, and to authorize the seal of the company to be affixed to all papers which may require it.

"A majority of the committee constitutes a quorum. Any vacancy in the committee may be filled by the remaining members though less than a quorum. The members of this committee have been designated by the board of directors from among key personnel (other than parent company directors) with regard to geographical dispersion as well as familiarity with the kinds of problems which such committees may have to face."

Succession Lists

Apart from providing for continuity of the board of directors or for the possible establishment of emergency management committees, some companies report that they have prepared lists defining the chain of management succession under emergency conditions. In some cases, such lists originate with the board of directors and appear in the company bylaws or are set forth in board resolutions; others reportedly have been assembled by top management.

In planning for automatic management succession, the primary concern of a number of companies is to ensure that a replacement for the chief executive would be provided for in an emergency. Thus the bylaws of a steel company provide that "in the absence of the chief

¹ See exhibit A, page 18.

² For an excerpt from the company's bylaws regarding this committee, see exhibit B, page 20.

executive officer, his functions and duties may be performed by the executive vice-president (located in another city), or in the event of his absence by any one of the company's vice-presidents (four of whom are located outside headquarters)." Still other companies prepare succession lists that cover several key managerial posts, in some cases at both corporate and divisional levels.

While the names appearing on management succession lists of some companies are not regarded as secret, other firms treat their lists as confidential and store them in a safe place where they are to be opened only in an emergency. For example, "the president, or in his absence the first person available on the succession list which has been approved by the board of directors, will," according to the plans of a steel company, "be responsible for reorganizing and continuing corporate affairs. A certified copy of the minutes containing such list is in the corporation vault in a sealed envelope to be opened only in an emergency. Each person on the list has been notified as to the persons whose names appear prior to his own."

As a precautionary measure, one oil company places a sealed copy of its succession list at three different locations. The board resolution spelling out this procedure reads as follows:

"Prior to any catastrophe, the officers of the company are authorized and directed to prepare and revise from time to time a 'succession list' for the position of emergency general manager of the company which shall be sealed and deposited in at least three places designated by them and the existence and location of which shall be reported to this board and communicated to such persons as they deem best.

"The officers of the company shall also designate a reporting center or control center to which the contents of said list shall be communicated when opened and to which the officers and employees of the company shall report for receiving instruction on the operation of the company in the event of any such catastrophe.

"Upon the happening of any catastrophe, the individual highest on the list, who shall establish communication with such reporting or control center, shall be and immediately become the emergency general manager of the company and shall remain such until, but only until, another individual higher in rank on the list shall establish communication with such reporting or control center. . . ."

Successors Unspecified

Many companies have no predetermined chain of succession for management because of their belief that the decentralization of their operations and the depth of

their management would automatically provide managers competent to carry on should a disaster occur. A machinery company, for example, that operates "fourteen plants in a number of different states and five foreign countries" believes, so writes its president, "that with this multiple operation we would have enough depth of management to draw on if any particular location had a major catastrophe."

Citing his firm's second- and third-line levels of management as possible successors for key personnel, an executive of another company indicates that plans of such depth had been in existence for a long time:

"Our corporate policies for many years have been directed toward the development of strength of management in depth. The chairman of the board, the president, and the sales vice-president review at regular intervals key people in our organization in the second and third tiers of responsibility. This practice has been in effect for the last fifteen years; our primary reliance for continuity of management in any event lies in the abilities of these men. We do not contemplate any change in this basic policy."

On the other hand, some companies report their operations are so small, or their management so concentrated at one site that they regard any planning for continuity to be futile. Typical is this comment by the president of a machinery company: "We have not made any particular provisions for continuity of management in case of war or catastrophe, because in our particular line of work most of the people who would naturally follow in top management are located in this region. Quite naturally if the plant were to be wiped out it would probably take with it the greater number of the successors to the top jobs of the company." And the president of a small metals company states simply: "If our top men get blown up, we are sunk. I believe that is almost universally true of small business. We cannot keep spare executives available."

ALTERNATE HEADQUARTERS

A few cooperating companies have made definite arrangements for alternate headquarters in the event a catastrophe should render their headquarters unusable. In some cases, outlying company locations have been designated as alternate headquarters, while other firms have established special installations to serve as the emergency control center for the corporation. At least one company has set up two alternate headquarters sites as a further hedge against the possibility of catastrophe.

One oil company has already set up a complete alternate headquarters or remote control center, about forty miles from its home office, that can provide living

Emergency Headquarters of a Large Steel Company

Functional Responsibilities

Responsibility	Individual(s) Responsible	Assisted at Emergency Headquarters by
Reorganization of facilities.....	First officer available	General manager
Corporate level reorganization.....	First person available that has been approved by the board of directors	All other available board members
Authority to draw funds.....	Treasurer	Assistant treasurer
Security-vault records.....	Controller	Records-retention organization
Personnel requirements.....	Each vice-president	Each vice-president
Equipment and supplies.....	Controller	Chief accountant
Feeding.....	Director of personnel relations and manager of food service	Safety director
Sleeping quarters.....	Vice-president—industrial relations	Safety director
Transportation.....	Vice-president—traffic	Manager
Fuel supplies.....	General manager	General master mechanic
Communications.....	General manager	Chief engineer
Emergency light and power.....	General manager	General master mechanic
Reporting centers.....	Personnel director and treasurer	Various
Financial aid to employees.....	Controller and treasurer	Assistant controller and assistant treasurer
Security of emergency headquarters property.....	Director of plant protection	Captain of police
Auxiliary space for emergency headquarters.....	Vice-president—production	Works manager and general manager
Alternate headquarters.....	Vice-president—products	General manager
Medical supplies.....	Medical director	Company physician
Safety and first aid.....	Coordinator of safety	Safety director
Emergency coordinator.....	Defense coordinator	General office coordinator
Liaison with civil defense authorities...	Defense coordinator	General superintendent
Public relations information.....	Director of public relations	Public relations staff

Special Defense Items Filed in Emergency Headquarters Vault

<i>Lines of succession: all divisions and plants</i>	<i>Emergency procedures: treasury and accounting department</i>
<i>Masters for all treasury and accounting forms</i>	<i>Current list of general office employees: names and addresses (to be kept current every six months)</i>
<i>Copy of organization charts: all divisions and plants</i>	<i>Telephone installations and requirements: emergency headquarters</i>
<i>Copy of organizational manual</i>	<i>Corporate seal</i>
<i>Copy of key personnel roster</i>	<i>List of housing facilities: homes of supervisors</i>
<i>Telephone books, including intracompany</i>	<i>Food menus for emergency headquarters</i>
<i>Changes in bylaws of the corporation</i>	<i>A large county map and state road map</i>
<i>Supply of emergency checks</i>	<i>Copies of emergency headquarters manual</i>
<i>List of retired employees: addresses and occupations (kept current annually by personnel relations)</i>	<i>Employees (by occupation) to report to emergency headquarters</i>
<i>Job descriptions: supervisors</i>	<i>Copies of Federal Civil Defense Act</i>
<i>Copy of letter of arrangement with bank for special account</i>	

EXHIBIT C

accommodations for up to 130 persons. As stated in a company manual, "the center is designed to concentrate policy-making skills, executive decisions, and communications that are necessary to maintain operations should the main headquarters office become untenable. It also serves as a communication nerve center for contact with government authorities, company installations, and employees in the area."

At this same alternate headquarters, the company stores microfilm of old and current records, microfilm processing equipment, and telephone, teletype, and radio equipment. An electric stand-by generator and an independent water system have been installed. In the event of emergency, three cadres of qualified executives are to be assigned to the headquarters, with such assignments planned on the basis of geography rather than an organization chart. The cadres are called principal, first alternate, and second alternate, with those executives living relatively near to be assigned as principals and those living farther away as alternates. An emergency staff group that has been selected on the same geographical basis includes secretaries and clerks in the ratio of one to every three executives.

To ensure the usefulness of these alternative facilities and their readiness should the need arise, "on an average of one day per year, the company puts its plan into action and its emergency headquarters on an operational basis. On these days, frequently days of general civil defense 'Operation Alert,' one of the three staff cadres is assigned to the remote-control center for simulated emergency duty. These 'dry runs' help to detect flaws in the plans of operation, to keep the center and its facilities active and ready for use, and to keep executives familiar with records, plans, and equipment ready for the day no one wants to see."

Some companies that have set up special alternate headquarters have also arranged for a number of centers where their personnel would report their availability for work. Such information would be relayed to the alternate headquarters where surviving management would be getting the company back into operation. Retained at the reporting centers of a few firms are emergency salary checks that could be issued to personnel in case of a general disruption of business. In the case of one company, "checks have been prepared in blank form in the amount of \$50 each. Each employee will be entitled to four such checks. The checks are of a significant color and have the words '*Valid Only in Case of Disaster Due to Enemy Bombing of U.S.A.*' printed across the face."

Several decentralized firms indicate that, rather than designate in advance a particular site for an emergency company headquarters, they would prefer to wait and

see which of their outlying facilities might be unaffected by disaster. A typical comment in this regard is that of a machinery company executive, who states: "We have no formal provision for an alternate headquarters site, but because we maintain offices and plants at many locations in the United States and foreign countries, we would automatically move to the most likely site."

PROTECTING COMPANY PERSONNEL

Routine safety plans for the protection of personnel in case of fire, explosion, or unusual weather are in existence in most of the firms surveyed. A number of the companies indicate that they cooperate with their local civil defense organizations, largely in connection with air-raid drills and planning for possible evacuation to approved shelter areas within company buildings. However, an overwhelming majority of the reporting firms say that they really have no formal plan for protecting their personnel in the event of war or major catastrophe beyond such minimal civil defense precautions.

The small minority of companies that have organized a formal defense or disaster program includes, for the most part, large firms. Some have established emergency teams, such as wardens for directing evacuation and rescue, fire-fighting specialists, medical and first-aid squads, emergency communications units, and in a few instances radiological detection squads to measure fallout.¹ One steel company, for example, reports:

"In the past several years we have progressively developed an emergency program for the purpose of providing appropriate action in the event of a catastrophe in our plant area. This program is designed to provide removal of personnel to areas of safety, to set up emergency communications systems, and to provide first-aid and medical care. While this particular program is not specifically directed toward a war catastrophe, it would essentially provide much of the needed advance planning for such catastrophe. In connection with this program, employees have been selected and trained for their specific duties and monthly meetings are held with simulated catastrophe being set up to train such personnel in their duties."

Industrial defense manuals have been prepared by several responding companies in connection with their preparedness programs. Some such manuals are distributed to employees primarily to acquaint them with the A B C's of civil defense. Others not only provide detailed information regarding the company's disaster plans but also set forth the specific responsibilities of designated emergency units and management should disaster occur.²

¹ See exhibit E, page 26.

² See exhibit F, page 27.

Procedure To Be Followed at Emergency Headquarters of a Smaller Steel Company by President or His Alternate

IMMEDIATELY following a major disaster involving the firm's general offices, the president or in his absence the first person available on the management succession list approved by the board of directors is to be responsible for reorganizing and continuing the corporation's affairs. The procedures to be followed by the designated officer at the company's emergency headquarters have been set forth as follows:

1. Contact board members to arrange a meeting to take necessary action

2. Advise board members of their authority to fill director vacancy or vacancies, even though quorum is not available

3. Reorganize necessary personnel in the event of non-availability of works managers, staff department heads, etc. (Authority to elect and appoint officers in an emergency is contained in corporate bylaws)

4. Complete reorganization of other personnel required. (The master organization charts and charts of an emergency organization are on file)

5. Make necessary arrangements for office space and equipment for personnel not included in the emergency headquarters

6. Direct the use of information contained in duplicate records stored in security vault

7. Contact all corporation managers, advising of temporary change in headquarters. (Copies of this manual will be given to all managers)

8. Make arrangements for meeting payrolls

9. Notify general office personnel who have not reported, where and when to report. (This will be done through reporting centers)

10. Designate the use of emergency headquarters buildings

11. Carry on emergency and regular business as needed

EXHIBIT D

elters

A number of companies have shelter areas in basements or tunnels which they believe would protect their personnel against possible bomb blast. But only a handful of companies report having built shelters that would provide adequate protection against the dangers of nuclear fallout. Even where facilities exist that could serve as fallout shelters, arrangements have not always been made for stocking them with provisions needed to sustain life. For example, an industrial equipment manufacturer reports: "We have designated shelter areas, worked out in cooperation with the local civil defense. These are areas of our plant buildings which are constructed as to be reasonably impervious to nuclear fallout. However, considerable additional work would have to be done in the area of food storage, water, etc., in order to adequately take care of our personnel."

Another company, which has one shelter and plans to build another, reports: "A bomb shelter was built at the time that additional plant facilities were erected. Directional signs to the shelter are placed throughout our plant. Recently a group of employees set up short-wave radio facilities in the shelter and at the present time a very pleasant and efficient plant cafeteria is located there. According to present plans, another shelter will be included in our new stock room being built elsewhere. We are taking steps to store all our medical supplies in the shelter and also plan to have on

hand there at least two weeks' food and water supply for employees."

PRESENT THINKING ON PREPAREDNESS

Several firms that have not previously engaged in preparedness planning report that they are now giving the matter serious consideration. Some are making preliminary studies, and a few indicate that the subject will be discussed at forthcoming board meetings.

Other companies say simply that they have delayed making disaster plans. Typical of many reporting executives is the president of a hardware company, who makes this comment:

"I am shamefacedly admitting that there is no formal plan at the present time regarding the safety of personnel, records, etc., in case of a nuclear war. I can't say that I think we are ostriches putting our heads in the sand, but we are a small company and the potential of recovery, were any cataclysmic event to occur in a nuclear war, would be minimal under the most favorable plans and programs. I have no doubt that one of these days (and I hope whatever we do will not be necessary) we will get around to formalizing a program."

There is least enthusiasm among reporting firms for the construction of fallout shelters. Fewer than 5% of the companies surveyed—about the same number as now have such facilities—indicate that they are contem-

plating the construction of shelters in the near future. A number of firms are reportedly waiting for direction from the Federal Government. For example, the treasurer of a refrigeration equipment company states, "We are being guided mainly by the instructions and recommendations of the Office of Civilian Defense in our area and would probably establish some special plan as and when they recommend it." And an automotive company spokesman points out that his firm has not constructed

fallout shelters because "as yet, the Department of Defense has not placed the emphasis on the construction of industrial shelters that it has placed on construction of home or public shelters."

Other executives note the expense of building special fallout shelters for employees and indicate that the companies, in the words of one respondent, "are waiting to see what provisions the various governmental agencies are going to make in this regard, or whether it

Industrial Defense Organization of a Large Diversified Company

THE chief components of the comprehensive defense organization are described in a manual prepared by the firm's plant and facility protection and restoration committee as follows:

ONE of the main objectives of industrial defense planning is to provide for the protection of personnel under emergency conditions. In order to accomplish this objective a defense director has been appointed by management who has under his direction in times of emergency the following components:

1. WARDEN ORGANIZATION

The warden organization consists of the following groups:

(a) The Warden Group. The warden group is a very important component of the industrial defense organization, as the wardens under emergency conditions have the responsibility for safely guiding personnel to predetermined areas of shelter and to assist in controlling them while in these areas.

(b) Rescue Squads. Rescue squads are made up of employees who have been trained to extricate persons trapped under fallen debris and to open blocked passageways in the event of a bombing attack or any explosion that would damage the building.

2. RADIOLOGICAL MONITORING AND DETECTION ORGANIZATION

The responsibility of the radiological monitoring organization is to monitor areas in the event of a nuclear attack with radiation detection instruments to determine those areas safe for emergency work and occupancy. It will also be the responsibility of this organization to advise the defense director on maximum probable exposure, shielding effects, decontamination, and to keep records on radiation during the emergency.

3. FIRE ORGANIZATION

The fire organization consists of a selected group of employees who have been trained in the use of all fire fighting equipment at the location and in the methods

of extinguishing and combating fire of all types. It is their duty when possible to extinguish or control any fires that might occur on the premises.

4. MEDICAL PERSONNEL AND FACILITIES ORGANIZATION

This consists of the following groups:

(a) Medical Assistants' Squad. If a major catastrophe should occur it is questionable if the existing medical facilities available at a given location would be adequate to handle large numbers of seriously injured people. Therefore, the duty of this group is to be apprised of the available doctors, ambulance services, and hospitals in their area. This group should also have knowledge of the local civil defense plans for the evacuation and care of the wounded in the event of any enemy attack. In the event of disaster we probably cannot expect much help from outside sources very quickly, however. Our immediate reliance must therefore be on the local organization which should be trained to assist in handling the number of casualties that can be expected rather than count on ambulance and hospital service for a period as long as a day or two after an attack.

(b) First-aid Teams. First-aid teams are composed of employees who hold valid first-aid certificates and who are capable of rendering first aid to injured employees in times of emergency.

The protection and welfare of employees in the event of an emergency is the overriding and common responsibility of all members of the defense organization. Discharge of this responsibility requires not only effective organization but also thorough understanding by all its members of the need for exercising sound judgment and initiative in emergencies. Therefore, all members of the defense organization should be oriented to the over-all responsibilities and functions of the organization, as well as effectively trained in their own specific assignments.

EXHIBIT E

Administration

Industrial Defense Advisory Committee
Industrial Defense Coordinator
Emergency Headquarters
Emergency Reporting Centers for Personnel
Continuity of Management
Emergency Organization Charts
Liaison with Civil Defense Authorities
Safeguarding Company Records
Protection of Current Assets
Plans for Emergency Business Operations
Budget Provision
Organization and Training Manuals
Industrial Cooperation Assistance in an Emergency

Personnel

Emergency Personnel Qualification Records
Financial Aid to Employees
Shelters
Feeding and Housing Disaster Victims

Security

Security Surveys
Director of Plant Protection
Safeguarding Vital Areas
Security Control of Personnel

Communications

Emergency Communication Equipment
Emergency Alerting
Emergency Messenger Service

Training

Disaster Training Program
Panic Control Training
Refresher Training

Medical

Emergency Medical Supplies
Emergency Casualty Stations
Identification and Care of Casualties

Rehabilitation

Emergency Shutdown Procedure
Maps of Plant Utilities
Inventory Record
Secondary Water Supply
Protection of Vital Equipment
Replacement of Strategic Items
Emergency Light and Power
Dispersal of Stored Materials
Salvage Areas
Subcontractor Facilities
Fire Fighting Facilities
Radiological Detection
News Releases

Defense Organization Chart

EXHIBIT F

TABLE OF CONTENTS OF A LARGE STEEL COMPANY'S INDUSTRIAL DEFENSE MANUAL

ing to be a matter left entirely to the expense of
ivate companies."

In the same vein, a machinery company executive
explains the reluctance of his company to construct
pecial fallout shelters:

"At the present time there is no movement in our com-
pany or among area industries to provide shelters for the
protection of personnel in case of war. In the absence of
any firm recommendations on the part of the United States
government, many managements are unwilling to commit
the large funds necessary for fallout shelters required to
accommodate numerous people."

There are still other reasons why companies say they
ve no plans for building fallout shelters. Some, for
ample, indicate that their plants lie in tidal areas or
ter locations where underground shelters would be
practical. But a more common explanation is simply
at given by the vice-president of a paper company,
no observes:

"In the event of a holocaust touching on any of the
communities in which we have operations, we are con-
vinced that all our employees would drop everything and
run home to take care of their families anyway, so that
there is little point in our attempting to provide shelters in
our plants."

DAVID H. SUNBURY
G. CLARK THOMPSON
Division of Business Practices

Single reprints of this article are available to Associates on request and
without charge. Prices for quantities will be furnished upon request.

Principles of Insurance—This is the second revision of a text
designed primarily to give students a thorough grounding in
the principles of insurance. Its authors discuss the various
kinds of insurance, the insurance contract, insurance under-
writers and buyers, and the organization and operation of
insurance companies. The material is accompanied by
tables, charts, and illustrative practices. *By Robert G. Mehr
and Emerson Cammack. Richard D. Irwin, Inc., Homewood,
Illinois, 1961, 904 pages. \$10.*

PERSONNEL PRACTICES

Secrets of a Successful Suggester

The Ford Motor Company has a new suggestion champ. He is an inspector at a stamping plant in Buffalo, New York, who recently won a \$15,313 award that brought his accumulated earnings under the company's suggestion plan to the new record-high total of \$32,652. The previous record had been \$29,532.

Asked how he thinks up his ideas, the new champ said: "I think a person should be observant. That's a prime factor.

"Writing it down—that's part of the answer, too. I am always looking for ideas, so I carry a notebook with me all the time. Then if I see a way to improve an operation, I make a note of it. I might forget about it otherwise.

"When I get the idea clear in my mind, I waste no time getting it into a suggestion box. I learned a long time ago that you can't wait. I don't have any patent on ideas, and if there is a way to save some steel in one of our operations, or a way to make the job run better, somebody is going to find it sooner or later. It's the man who submits the idea first who gets the award."

Blind Employee Awarded a Braille Watch

This year, at the annual long-service dinner of the Dynamatic Division of the Eaton Manufacturing Company in Kenosha, Wisconsin, one of the employees who received an emblem and a watch for twenty-five years of service was blind. The company, with the help of the Institute of the Blind, was able to present him with a Braille watch. He had gradually lost his sight during the last few years of his employment and is now retired.

A Warm Welcome in Winter

Retired and active employees of the Westinghouse Electric Corporation and the Westinghouse Air Brake Company who plan to visit Florida during the winter season can look forward to a pleasant reunion with old friends. They have been invited to attend any of the functions of the Westinghouse Retired Employees' Association. This association, made up of former Westing-

house workers living in the St. Petersburg area, is now in its seventeenth year. Functions scheduled for the winter include ten regular biweekly meetings, two card parties, two picnics, two dinners, and a Christmas party.

Snorkels or Knitting Needles?

Employees of the Norair Division of Northrop Corporation in Hawthorne, California, should have no difficulty finding something of interest in the wide range of recreation activities that are offered. The following club meets regularly, most of them in the NRC clubhouse:

Art	Fishing	Skin diving
Boat	Gem & mineral	Sports car
Camera	Model railroad	Surf fishing
Camping	Radio	Toastmaster
Chess	Riding	Travel
	Skeet	

If none of these appeal, this year's program also includes: ballroom dance classes; Bible study; bowling; knitting; golf; mixed chorus; softball; square dancing; swimming; and tennis. Some of these activities are open to families as well as to employees. Especially for children are Scout troupes—Sea, Cub and Boy Scouts for boys; Mariners (Girl Scouts) for girls.

Taxi, Girls?

An unusual labor contract clause entitles women employees of the General Telephone Company of Indianapolis, Inc. in Fort Wayne to free cab service if their work shifts begin or end between the hours of ten in the evening and six in the morning. The company had been furnishing this service for women employees for a number of years before the union, a local of the International Brotherhood of Electrical Workers, AFL-CIO, demanded that it be made part of the labor contract. The negotiated clause reads as follows:

"**CAB SERVICE:** The company will provide cab service to all women employees whose tours of duty begin or end at 10:00 P.M. or later and prior to 6:00 A.M. in communities where cab service is available.

"Such transportation will be furnished only to those employees

employees who desire such service. The company will assume the charge to the employee's home if it is within the city limits or an adjacent residential area served by the cab company at basic city cab rates. Employees living beyond that area will pay any fares in addition to the basic rates."

Smoothing Music

The Polaroid Corporation in Cambridge, Massachusetts, believes that music hath charms to smooth the output of production workers. When company management discontinued an outside music service it considered too expensive, it decided to permit employees in the production areas who wanted music while they worked to tune in on their own radios. The exercise of this privilege, however, is subject to the following rules:

1. Each department head must approve the installation of a radio and the times during which it may be played, and forward a written notice to the personnel department. Questionable installations are referred to the management policy committee for final decision.
2. Normally, permission is confined to routine production operations.
3. All within hearing must agree unanimously to have the radio played.
4. Permitted radios may be tuned only to musical programs since "other programs, such as ball games and sports, are distracting and obviously do not promote good, safe operation."

Laying It on the Line

The Sperry Gyroscope Company had been underbid thirteen government contracts and wanted its employees to understand how the loss affected them and their jobs. It told its story in the lead position on the front page of the September 19 issue of the employee publication, *The Sperry News*, under the hard-hitting headline: "Thumbs Down' on Sperry Prices—Others Get Jobs; Employee Action Needed."

What followed struck with the same forceful impact: Despite employees' skill and technical know-how, Sperry lost in excess of \$7 million in business to competitors since the beginning of May—mostly because our prices are too high!

"Work on thirteen government contracts which could have helped maintain job security at Sperry is being done by employees at nine other companies."

"Employees at [here the nine companies are named] lost the jobs. . . ."

"Only in one contract did a government evaluation confirm the skills and technical know-how of Sperry

employees second. Awards of the other contracts were made on price alone. Bids can be made only on what it costs to produce a product.

"With business going to competition on price alone . . . , doesn't this prove that each of us has to work a full eight hours a day, reduce waste, produce a quality product, and eliminate unnecessary absenteeism to help put the winning price tag on bids for government work?"

Serve Yourself and Save

Employees willing to wait on themselves can save money in the cafeterias of the Thompson Products Division of Thompson Ramo Wooldridge, Inc. in Cleveland, Ohio. A self-service luncheon special, packaged in advance in plastic containers and consisting of soup or juice, sandwich, salad, dessert and beverage, sells for 65 cents. The same meal on china with personal service sells for 85 cents.

Shall We Dance?

If there are any wallflowers working for the Arma Division of the American Bosch Arma Corporation in Hempstead, New York, they have only themselves to blame. Earlier this year, the division sponsored a series of six ballroom dancing classes that were conducted by professional instructors. Each class was held in the executive dining room for an hour and a half, starting at 5:00 p.m., and was followed by a half-hour practice period. Any employee attending the classes was invited to bring a guest. The fee for all six sessions was \$6 per person. Instructions were also offered, in separate series, in the lindy hop, peabody, cha-cha and other dances.

Ham Radio Club Gets SSB Equipment

The ham radio club of the Republic Aviation Corporation in Farmingdale, New York, has converted its equipment from AM to SSB (single side-band) transmission and set up a new SSB kilowatt station. Designed to provide greater talk power per kilowatt and more faithful reproduction of the signal, the new station's equipment, the most modern available, is valued at \$3,200.

Club members (now eighty-five in number) have been operating a station at Republic since 1954. They communicate with hams in this country daily and have made at least twenty-five contacts with foreign countries. Over their facilities a radio chess match has been going on for some time between Republic's team and the team of the McDonnell Aircraft Corporation in St. Louis, Missouri.—J. R. O'M.

Unions Offer Help for Intercollegiate Debaters

RESOLVED: That labor organizations should be under the jurisdiction of antitrust legislation."

When it was announced that this would be the intercollegiate debate topic for the current academic year a number of union journals began printing supporting material for students arguing the negative point of view. These include the *AFL-CIO News* and *The Dispatcher*, published by the independent International Longshoremen's and Warehousemen's Union.

The Dispatcher claims that the National Association of Manufacturers and "other antilabor organizations" have long considered the antitrust issue a favorite solution to the problem of "labor monopolies." But, declares Harry Bridges, president of the ILWU, "a labor union is not a monopoly or trust. It is not a business enterprise. It is not in business to make a profit or to manufacture an article."

A union, he continues, has to be effective to win gains for its members. If a union is not free to strike effectively (such as by threatening to shut down an entire industry), then it has lost its best bargaining power. To take away this bargaining power, says Mr. Bridges, would "not only harm the American people and reduce their standard of living, but it would weaken and endanger their democracy."

The *AFL-CIO News* reports that a kit presenting labor's viewpoint can be obtained by college students. In a covering letter, the AFL-CIO director of education observes that "the labor movement feels strongly that antitrust laws are not an appropriate means of dealing with the problems of unionism and collective bargaining."

Among the pamphlets included in the AFL-CIO kit is one written by Secretary of Labor Goldberg when he was general counsel of the Industrial Union Department of the AFL-CIO. In this article Mr. Goldberg points out that the labor monopoly charge is "false from every viewpoint" and that application of antitrust laws would be a return to the 19th century.

Copies of the AFL-CIO kit may be obtained without charge from the Pamphlet Division, AFL-CIO Department of Publications, 815 Sixteenth Street, NW, Washington 6, D.C.

Businessmen Warned about "Phony" Solicitors

New Jersey businessmen have been warned to on guard against "phony advertising solicitors" for nonexistent labor publications. The warning, from President Vincent Murphy of the New Jersey AFL-CIO, reported in the *AFL-CIO News*. Mr. Murphy urged businessmen visited by solicitors from questionable publications to record any statements, especially threats "labor trouble"; to stall; and to alert police.

The problem of "racket labor papers" is not a new one. Some time ago, the now-defunct union newspaper *Labor's Daily*, issued the following advice to businessmen approached for advertising in a labor publication:

"Make sure that you know with whom you are dealing and that he represents a bona fide labor paper.

"If you don't know the advertising solicitor and are unsure of his credentials:

"Check with the editor of your local labor paper.

"Check with the business representative of your employees if your shop is union.

"Check with the Better Business Bureau in your community.

"Write to the International Labor Press Association, AFL-CIO Building, 815 Sixteenth Street, N.W., Washington, D.C.

"Cooperate with the local authorities in the effort to put racketeers behind bars where they belong."

New Jersey AFL and CIO Merge

On the heels of AFL-CIO President George Meany's threat of expulsion,² the AFL-CIO's remaining unmerged state labor bodies have consolidated. They were the New Jersey state AFL and CIO organizations. They merged just before the October 1 deadline, said the *AFL-CIO News*.

A major roadblock to the merger had been the selection of officers for the combined organization. The problem was solved by an agreement that the state AFL would nominate the president and secretary-treasurer.

¹ See *Management Record*, December, 1957, pp. 435-436.

² See "Unmerged AFL-CIO Groups Violate AFL-CIO Constitution," *Management Record*, September, 1961, p. 43.

while the state CIO would choose the first and second executive vice-presidents. According to the *AFL-CIO News*, these officers will serve until 1964, when the posts will be filled "without regard to previous affiliation."

Lithographers Begin Promotion Campaign

An appeal that will be seen by millions of riders "on everything that moves or swims within a fifty-mile radius of [New York's] City Hall" has been initiated by New York Local 1 of the Amalgamated Lithographers' union. Thousands of car cards, the first phase of a broad promotion campaign, have been placed on subways, buses, ferries, and commuter railroad trains. These cards, reports the *Lithographers' Journal*, are designed to promote lithography as the modern printing medium and the Lithographers' union as a "dynamic force for progress and craftsmanship in the graphic arts."

According to the president of Local 1, by promoting lithographic sales the union will increase the wages of lithographic workers.

In addition to the car card program, the union is planning a lithography display in various locations including Grand Central Station and Union Station in Chicago.

ILWU Objects to Profit Sharing

The independent International Longshoremen's and Warehousemen's Union has denounced profit-sharing plans in general and in particular the one recently incorporated into the new American Motors-United Automobile Workers' contract. Its journal, *The Dispatcher*, notes that benefits paid for by the American Motors-UAW plan "presumably" would be reduced if profits are insufficient.

The ILWU claims that profit-sharing plans have "been a familiar feature of paternalistic company programs for many years." They are objectionable, says the longshore union, because they lead workers to identify their interests with those of the company, and to believe that when the company is losing money the workers ought to take a cut in order to help it out.

Collective Bargaining Rights for Government Employees?

The United States Government should become "a leader, not a follower" in the labor-management field. President Kennedy should act "decisively" to extend collective bargaining rights, "long guaranteed by law to employees in private industry," to the government's 2.4 million civilian workers.

This view was expressed by AFL-CIO Legislative Director Andrew J. Biemiller in testimony before the Kennedy-appointed Task Force on Employee-management Relations in the Federal Service. Mr. Biemiller called for legislation or an executive order that would permit government employees to organize without fear of reprisal, allow them to negotiate written collective bargaining agreements, permit voluntary dues checkoffs, and provide for mediation and arbitration procedures, reports the *AFL-CIO News*.

The union representative added that while AFL-CIO unions are not seeking the right to strike against the Federal Government, an alternative will have to be found if collective bargaining is to be effective. One such alternative, he suggested, would be to have the Federal Mediation and Conciliation Service assist in deadlocked negotiations. If settlements still were not reached, the dispute would then be submitted to a government panel empowered to hold hearings. The panel would issue a binding settlement that could be set aside only by the President if he deemed such action in the public interest.

Unionists Asked to Watch for Counterfeiters

Leads for tracking down sources of counterfeit money have often come from workers in printing and lithographic plants.

The agent in charge of the Houston office of the United States Secret Service made this known in a speech at a meeting of the Houston, Texas, local of the independent Amalgamated Lithographers of America. According to the *Lithographers' Journal*, the agent said that recent technical improvements in the graphic arts are creating an upsurge in counterfeit money—most of it lithographed. Because of this, he urged local union members to be wary of "evasive" strangers, asking questions regarding materials or techniques of lithography, and to report any suspicious circumstances.

MARIE P. DORBANDT

Division of Personnel Administration

The Machinists—A history and an examination of the current operations of one of the country's largest unions, the International Association of Machinists. The first of three parts gives the union's history under its various administrations; the second is an analysis of the internal structure and operation of the union; and the third examines and interprets the IAM's policies, discusses its jurisdiction and reviews past disputes. By Mark Perlman, *Harvard University Press, Cambridge, Massachusetts, 1961, 333 pp., \$7.50.*

Significant Labor Statistics

Item	Unit	1961							Year Ago	Percenta
		Sept.	Aug.	July	June	May	April	March		Latest Month over Previous Month
Consumer Price Index (BLS)										
All Items.....	1947-1949 = 100	128.3	128.0	128.1	127.6	127.4	127.5	127.5	126.8	+0.2
Food.....	1947-1949 = 100	121.1	121.2	122.0	120.9	120.7	121.2	121.2	120.2	-0.1
Housing.....	1947-1949 = 100	132.6	132.3	132.4	132.4	132.2	132.3	132.5	132.0	+0.2
Apparel.....	1947-1949 = 100	111.1	109.9	109.9	109.6	109.6	109.5	109.8	110.6	+1.1
Transportation.....	1947-1949 = 100	149.4	149.3	148.3	147.7	146.6	145.8	145.7	144.7	+0.1
Medical Care.....	1947-1949 = 100	161.7	161.4	161.2	160.9	160.4	159.9	159.6	156.9	+0.2
Personal Care.....	1947-1949 = 100	134.3	134.2	134.3	133.9	133.8	133.8	133.6	133.9	+0.1
Reading and Recreation.....	1947-1949 = 100	125.0	124.4	124.1	123.5	123.9	124.1	123.4	122.1	+0.5
Other Goods and Services.....	1947-1949 = 100	133.8	133.6	133.6	133.1	133.1	132.6	132.6	132.7	+0.1
Employment Status (Census)										
Civilian labor force.....	thousands	71,123	73,081	73,639	74,286	71,546	70,696	71,011	71,155	-2.7
Employed.....	thousands	67,038	68,539	68,499	68,706	66,778	65,734	65,516	67,767	-2.2
Agriculture.....	thousands	5,666	6,325	6,453	6,671	5,544	5,000	4,977	6,588	-10.4
Nonagricultural industries.....	thousands	61,372	62,215	62,046	62,035	61,234	60,734	60,539	61,179	-1.4
Unemployed.....	thousands	4,085	4,542	5,140	5,580	4,768	4,962	5,495	3,388	-10.1
Wage Earners (BLS)										
Employees in nonagricultural establishments, total.....	thousands	p53,920	r53,411	r53,112	53,374	52,645	52,073	51,621	53,743	+1.0
Employees in nonagricultural establishments, without Alaska & Hawaii ¹	thousands	p53,672	r53,153	r52,851	53,123	52,407	51,843	51,397	53,496	+1.0
Manufacturing.....	thousands	p16,326	r16,175	r15,921	15,973	15,726	15,536	15,497	16,505	+0.9
Mining.....	thousands	p634	r635	r634	640	630	623	622	663	-0.2
Construction.....	thousands	p3,103	r3,165	r3,094	3,034	2,799	2,617	2,414	3,069	-2.0
Transportation and public utilities.....	thousands	p3,840	r3,836	r3,842	3,818	3,773	3,756	3,749	3,907	+0.1
Trade.....	thousands	p11,637	r11,542	r11,544	11,575	11,446	11,389	11,337	11,665	+0.8
Finance.....	thousands	p2,567	r2,591	r2,585	2,556	2,528	2,520	2,507	2,515	-0.9
Service.....	thousands	p6,749	r6,741	r6,761	6,795	6,753	6,679	6,566	6,698	+0.1
Government.....	thousands	p8,816	r8,468	r8,470	8,732	8,752	8,723	8,705	8,474	+4.1
Production and related workers in mfg. employment										
All manufacturing.....	thousands	p12,175	r12,027	r11,786	11,860	11,643	11,463	11,418	12,399	+1.2
Durable.....	thousands	p6,786	r6,667	r6,639	6,706	6,595	6,429	6,363	6,949	+1.8
Nondurable.....	thousands	p5,389	r5,360	r5,147	5,154	5,048	5,034	5,055	5,450	+0.5
Average weekly hours										
All manufacturing.....	number	p39.6	r40.1	r40.0	40.1	39.7	39.3	39.1	39.6	-1.1
Durable.....	number	p39.5	r40.4	r40.3	40.6	40.2	39.9	39.5	39.9	-2.2
Nondurable.....	number	p39.7	r39.8	r39.6	39.4	39.0	38.7	38.7	39.1	-0.3
Average hourly earnings										
All manufacturing.....	dollars	p2.34	r2.34	r2.35	2.35	2.34	2.33	2.32	2.30	0
Durable.....	dollars	p2.50	r2.50	r2.51	2.51	2.50	2.49	2.47	2.46	0
Nondurable.....	dollars	p2.14	r2.13	r2.14	2.13	2.13	2.13	2.12	2.09	+0.5
Average weekly earnings										
All manufacturing.....	dollars	p92.66	r93.83	r94.00	94.24	92.90	91.57	90.71	91.08	-1.2
Durable.....	dollars	p98.75	r101.00	r101.15	101.91	100.50	99.35	97.57	98.15	-2.2
Nondurable.....	dollars	p84.96	r84.77	r84.74	83.92	83.07	82.43	82.04	81.72	+0.2
Straight time hourly earnings (estimated)										
All manufacturing.....	dollars	p2.29	r2.27	r2.29	2.28	2.28	2.28	2.27	2.25	+0.9
Durable.....	dollars	p2.44	r2.42	r2.43	2.43	2.43	2.43	2.41	2.40	+0.8
Nondurable.....	dollars	p2.09	r2.08	r2.09	2.08	2.09	2.09	2.08	2.05	+0.5
Turnover Rates in Manufacturing (BLS)										
Separations.....	per 100 employees	n.a.	3.2	3.5	2.7	2.8	2.8	3.4	4.2	n.a.
Quits.....	per 100 employees	n.a.	1.3	0.9	1.0	0.8	0.8	0.7	1.8	n.a.
Layoffs.....	per 100 employees	n.a.	1.4	2.0	1.2	1.4	1.5	2.2	1.8	n.a.
Accessions.....	per 100 employees	n.a.	4.1	3.3	4.0	3.7	3.4	3.3	3.5	n.a.

¹ The following eight industries also exclude Alaska and Hawaii.

p Preliminary.

r Revised.

n.a. Not available.

A Less than .05% change.

American Motors' employees receive both company stock and improved pension and insurance benefits from a new progress-sharing fund

Wage and Fringe Developments in Bargaining

THE WIDELY publicized "progress-sharing plan" in the American Motors-United Automobile Workers contract is just one of several unusual and significant features of the agreement. Another innovation that may have far-reaching effect is the joint conference committee created by the contract in order to bring together company and union representatives, away from the bargaining table, to discuss their philosophies and common responsibilities to the community.

As stated in the agreement, the joint committee will concern itself with such goals as improvement of educational, housing and health-care facilities and will consider the possibility of using a portion of the pension and for investment in housing and community developments.

Another noteworthy contract provision is the "career employment planning" program designed to give employees training to enable them to qualify for more desirable jobs and to minimize the impact of automation on job security. Under the terms of this provision employees who apply for training will receive either on-the-job instruction or special training away from work, as the circumstances warrant. The contract leaves the details of the training program to be worked out at the local plant level, but it indicates that during training employees may be paid out of the SUB trust fund.

Still another change in the AMC-UAW contract is the new management rights clause which reserves to the company five areas of control. These are (1) any change or modification in local management rights; (2) determination of products to be manufactured (including engineering and research); (3) product prices and methods of selling and marketing; (4) financial decisions, including the right to maintain company books in confidence; and (5) organization and selection of personnel.

But despite the importance of the foregoing changes, the progress-sharing fund, apparently, is regarded as the most spectacular of the contract items.

Here is how the fund works. After deducting 10% of the company's net worth from before-tax profits) or stockholders' dividends, the company will allot 15% of profits before taxes) for the benefit of employees.

Five per cent, or one-third of the 15%, is to be paid in the form of American Motors stock held in trust for employee ownership, and the other 10% is to be applied to the cost of increased pension and insurance benefits provided for in the agreement and for reserve funds for possible additional benefits. But pension costs are to take priority over insurance costs whenever funds are insufficient for both. If the funds available are greater than the amount required to defray pension and insurance costs, the residual may be used as reserves for a special SUB account or for any other purpose agreed upon by the company and the union.

The annual improvement factor or productivity increase is continued in the new contract with base rate increases of 2.5% or 6 cents an hour, whichever is greater, in each of the contract's three years. But this annual increase is now conditional, whereas in former contracts it was automatic. That is, the company will now determine on the basis of reserves in the progress-sharing fund whether the productivity (annual improvement factor) increase will be granted. Thus, increased productivity has a more direct tie-in with increased earnings for both the employees and the company.

In addition to possible wage boosts through annual improvement factors, base rates are upped 12 cents an hour as a result of transferring that amount from the previous cost-of-living "float."¹ And the cost-of-living clause continues to permit quarterly adjustments of a penny for each .5 change in the index, with the floor now set at 125.1 instead of 119.1.

Another contract change bearing on take-home pay is the special short workweek provision in the SUB plan. An employee who is prevented, because of lack of work, from earning his full week's pay of forty straight-time hours will be reimbursed for the hours lost in two ways. If the short workweek was not scheduled by management, the employee will receive 50% of his base rate for each hour short of the required forty. For example, an employee who is scheduled to work forty hours but actually works only thirty because of slack-

¹ At two plant locations employees elected to receive only 11 cents of the 12-cent "float" in exchange for retaining the five-minute wash-up period.

ness will receive his regular pay for these thirty hours plus half pay for the ten remaining hours.

In the case of a short workweek which has been scheduled by the company for production purposes, employees will receive 65% of straight-time pay for any hours not worked short of forty.

Unlike the annual improvement factor which is tied to profits, short-workweek benefits are tied to the SUB fund and are payable from that fund. If the payments are made as a result of a short workweek scheduled by the company, the company must reimburse the SUB trust fund. But benefit payments resulting from an unscheduled short workweek are chargeable to the fund without any additional contribution being required of the company.

The new agreement also increases supplemental unemployment benefits. The maximum weekly unemployment benefit (that is, state benefits plus SUB payments) is now 62% of gross pay, plus \$1.50 for each dependent up to four. The weekly maximum SUB (exclusive of state benefits) is now \$40. Duration of payments is extended to a maximum of fifty-two weeks. In Wisconsin where most of the company's plants are located, state unemployment compensation is paid for thirty-four weeks. Thus, SUB payments may continue beyond that point an additional eighteen weeks.

Pensions and insurance provisions have also been changed substantially. Beginning January 1, 1962, normal retirement benefits are increased to \$2.80 per month per year of credited service. The normal retirement age remains sixty-five, but the new contract permits an employee to work until his sixty-eighth birthday and

continue to accumulate service credits. After age sixty-eight, however, he may work only with the company's consent and with service credits frozen.

Early retirement and disability retirement benefits have been liberalized, and retirees have the option of converting their pension rights so that their surviving spouse will receive benefits on an actuarially reduced basis.

In determining pension rights, credited service has been changed to include leaves of absence not exceeding four years for military service, sick leaves, and vacation. Also, if the employee receives pay for any part of a week, he will be credited with a full week's service for purposes of pension computation. An employee who has lost credited service because of a break in employment may have his service credits fully restored if he remains with the company for three years following his return to work.

Under the new hospital-medical insurance program, retirees now pay 50% of the cost instead of 100% under the former contract. The life insurance maximum is increased from \$5,000 to \$9,000, and maximum sickness and accident weekly benefits range from \$45.50 to \$100.

A new moving allowance permits payment of up to \$580 whenever an employee must relocate because of permanent discontinuance of work. The amount of allowance varies with the distance involved and marital status of the employee; and the payment is deductible from any subsequent separation allowance which the employee is entitled to.

N. BEATRICE WORTHY
Division of Personnel Administration

Significant Pay Settlements

Company, Union ¹ and Duration of Contract	Pay Adjustments	Fringe Adjustments
DURABLE MANUFACTURING		
American Motors Corporation with UAW Multistate. 30,000 hourly Effective 9-6-61. Old contract expired New contract: 3 years	6¢ per hour productivity increase financed out of progress-sharing fund; cost-of-living escalator clause continued with index base at 125.1. 12¢ of previous cost-of-living float transferred to base rates Deferred increase: 6¢ per hour additional in 1962 and again in 1963, providing funds are available in progress-sharing fund	Added: Progress sharing fund providing stock purchase plan for employees and payment of increased pension and insurance benefits; moving allowance; short workweek benefits Revised: SUB plan; pension plan providing \$2.80 per month per year of service retirement and disability benefits, joint survivor option, and deferred vesting profit sharing insurance increased and increased hospital, surgical and sickness and accident benefits
American Seating Company with UAW in Grand Rapids, Michigan. 1,100 hourly Effective 7-1-61. Old contract expired New contract: 3 years	No general increase Deferred increase: 3¢ per hour general increase to unskilled and incentive employees and 5¢ to skilled trades, 7-1-62; additional 4¢ and 6¢ 7-1-63	Revised: Pension plan, SUB, sickness and accident insurance, hospital-surgical benefits

Significant Pay Settlements—continued

Company, Union ¹ and Duration of Contract	Pay Adjustments	Fringe Adjustments
Portland Cement Company with <i>Lime & Gypsum Workers</i> in Tarrant, Tex.; Miami and Bunnell, Florida; Oglesby, Mitchell, Indiana; Mason City, Iowa; Kansas; Union Bridge, Maryland; Alsen Hill, N.Y.; Sandt's Eddy and Fogels- Pennsylvania; Fordwick, Virginia; and E Falls, Washington. 3,000 hourly active to 5-1-61. Old contract expired contract: 2 years	6¢ per hour general increase; 1.4 time for Sun- day work; 10¢ & 15¢ per hour shift differen- tials Deferred increase: Additional 8¢ effective 5-1- 62; 1½ time for Sunday work	Revised: Health and welfare plan; jury pay; additional paid holiday effective 1-1-62; liberalized holiday provisions; increased S&A benefits, 5-1-62
Box Company with <i>Industrial Workers</i> in Fort Wayne, Indiana. Hourly active 9-24-61. Old contract expired contract: 3 years	5¢ and 6¢ per hour general increase	Revised: Severance pay; family hospital and medical insurance
Cement Manufacturing Co. with <i>Lime & Gypsum Workers</i> in Rockmart, Tenn. and Nashville, Tenn.; Oglesby, Ill.; Iowa; Brandon, Miss.; Cape Girar- d, Mo.; and Milwaukee, Wis. 1,458 hourly active to 5-1-61 and 6-15-61. Old con- tract expired contract: 2 years	6¢ per hour general increase. 10¢ and 15¢ (were 8¢ and 12¢) per hour shift differentials; 1.4 (was 1.3) times for Sunday work Deferred increase: Additional 8¢ per hour gen- eral increase 5-1-62 plus 1.5 times for Sun- day work	Added: 8th paid holiday 1-1-62 Revised: Health and welfare plan providing \$5,000 life insurance and accidental death and dismemberment insurance, with com- pany paying full cost of employee coverag- and 80% of dependent coverage; supple- mental jury duty pay; \$55 (was \$50) weekly sickness and accident benefits effective 2nd year
Philadelphia-Honeywell Regulator Co. with Philadelphia, Pa. 1,500 hourly active to 6-6-61. Old contract expired contract: 2 years, reopening in pensions in 1962	6¢ per hour general increase Deferred increase: 7¢ per hour additional in 1962	Revised: Hospital-surgical rates; vacation provisions; and pay plan
Metals with <i>Mill and Smelter Workers, ind.</i> in Carteret, N.J. 400 hourly active to 7-1-61. Old contract expired contract: 1 year	7¢ to 9¢ per hour general increase; additional 2¢ per hour shift differentials	Added: Vesting provision to pension plan Revised: 3¢ (was 2¢) per hour clothing allow- ance for some employees; major medical plan improved
NONDURABLE MANUFACTURING		
Association of New York with New York, N.Y. 4,000 hourly active 8-15-61. Old contract expired contract: 3 years	\$3 per week general increase 25¢ per hour on minimums over 2-yr. period	Revised: 5½% employer contribution to health and welfare fund; employer severance fund contribution change to ½% (was 1%)
Products Co. with Pekin & Argo, Ill.; Corpus Christi, Texas; Kansas City, Missouri. 4,500 hourly active 7-2-61; wage reopener contract expires 8-1-62 and may continue after until 60 days prior notice is given by party of desire to terminate	7.5¢ per hour general increase plus ½¢ on in- crements between job classifications; addi- tional 1¢ at Pekin & Corpus Christi in lieu of incentive plans in effect at other plants (total 9.86¢)	No change
Packing Co. with <i>House Workers</i> , in Omaha, Neb.; Wichi- sas; Denver, Colorado; Salt Lake City, Utah; Chicago, Indiana; and Los Angeles, Calif. 900 hourly active 9-1-61. Old contract expired contract: 3 years	7¢ per hour general increase Deferred increase: 6¢ per hour additional in second year and again in third year	Revised: Vacations; pensions and hospital insurance; funeral leave pay
Rubber Company with <i>Workers</i> in Denver, Colorado. 3,400 hourly active to 6-12-61. Old contract expired contract: 2 years	4½¢ general increase Deferred increase: Additional 4½¢ effective 6-11-62	Added: 8th holiday Revised: Vacation provisions
Industries, Inc. with <i>Workers</i> in Amsterdam, N. Y. 1,600 hourly active to 5-28-61. Old contract expired contract: 1 year	No general increase	Revised: \$400 to \$500 lump sum payment to employees at retirement based on years of service; \$1,500 (was \$1,250) life insurance (life insurance coverage to remain in force for up to 5 months during layoff); \$40 (were \$33) per week sickness and accident benefits for up to 13 weeks

Significant Pay Settlements—continued

Company, Union ¹ and Duration of Contract	Pay Adjustments	Fringe Adjustments
National Biscuit Co. with <i>American Bakery Workers</i> , 9,000 hourly Retroactive to 9-1-61. Old contract expired New contract: 2 years	10¢ per hour general increase Deferred increase: Additional 9½¢ increase and night shift premium 10¢ an hour effective 9-1-62	Revised: \$1,000 additional life insurance for male employees at cost of 60 cents per year to employee; increased company contribution to health and welfare fund; vacation after 20 years effective liberalized holiday clause
Spencer Chemical Co. Jayhawk Works with <i>Business Representatives Council</i> in Joplin and Pittsburg, Mo. 600 hourly Retroactive to 6-1-61. Old contract expired New contract: 1 year	13¢ per hour general increase	No change
United Baking Co. with <i>American Bakery Workers</i> in Pittsburgh, Pennsylvania. 90 hourly Retroactive to 8-1-61. Old contract expired New contract: 2 years	\$1 per week general increase for bakers, \$3 for others; hours reduced from 40 to 37½ per week with no loss in pay Deferred increase: Additional \$1 for bakers, \$3 for others effective 2nd year	Revised: Increased company contribution to health & welfare; jury duty pay; paid leave
Wilson & Co. with <i>Packhouse Workers</i> , Interstate. 5,000 hourly Effective 9-1-61. Old contract expired New contract: 3 years	7¢ per hour general increase Deferred increase: Additional 6¢ per hour in second year and again in third year	Revised: Pensions; severance pay, vacation, hospital and medical coverage; job classification adjustments; moving allowances for transferred employees; early retirement for long-service employees affected by
NONMANUFACTURING		
Consolidated Water Power & Paper Co. with <i>Papermakers</i> in Stevens Point, Wisconsin Rapids, Biron and Whiting, Wis. 1,096 hourly Retroactive to 5-1-61. Old contract expired New contract: 1 year	3% (6¢ per hour minimum for women, 7¢ for men) increase. 3rd shift differential increased from 12¢ to 13¢	Revised: Pro rata vacations in event of plant shutdowns
Southern Bell Telephone & Telegraph Co. with <i>Communication Workers</i> , Multistate. 52,700 salaried Effective 9-1-61. First wage reopening in 3-year contract expiring 9-1-63. Next wage reopening 9-1-62	\$1.50 to \$3 per week general increase; additional \$1 for jobs in traffic Grade 3	Revised: 6-month reduction in promotion schedules for traffic operating room employees; some exchanges reclassified
Southern New England Telephone Co. with <i>Connecticut Union of Telephone Workers</i> , ind. in Connecticut. 9,000 salaried Retroactive to 9-5-61. Old contract expired New contract: 1 year	\$1.50 to \$4 per week general increase (2.6% average)	Revised: Company contribution to pension and disability fund; increase in pension and company paid life insurance

¹ All unions are affiliated with AFL-CIO unless otherwise indicated.

In the November Business Record

Utility Appropriations in Resurgence—Private gas and electric utility companies experienced a decisive increase in capital appropriations during the first half of 1961. This rise, partially mirroring the extension of the two basic utility industries into new areas of service, was also the third consecutive first-half in which approvals exceeded the year-ago volume. Also included in the report is a discussion of backlog rates as a guide to spending, seasonality of investment expenditures, and differences in the approval and spending patterns of the two industries.

Foreign Operations: Appropriations Step Lower—The year-long advance in capital appropriations and backlogs has been directly related to the recovery, during the first half of 1961, in foreign capital outlays by American manufacturers. International tensions and the rather slow rate of business recovery at home are now being reflected in lowered appropriations by the 150 corporations submitting data. In the second quarter, approvals by hard-goods firms were down three fourths from the second quarter of 1960, but higher nondurables approvals helped to brake the general slide.

The Longer-term Environment—Most postwar recoveries have carried operating rates in major industries to capacity, but the two recovery phases since 1958 have occurred under conditions of full supply. Formerly, the approach to capacity operations produced a type of materials rationing, one industry's demand taking up as another let go a bit; this kind of "rolling readjustment" is no longer operating to prolong the boom and extend its boundaries. The new balance of supply and demand in the American economy is assayed both for the future and for its more immediate effect on the rise of GNP from here on into mid-1962.

Studies in Business Economics

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Published by THE CONFERENCE BOARD
460 Park Avenue, New York 22, N. Y.

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